Why the English and French cannot agree on money
Page I

Falling Short: the early shots in the chess war
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Novell's Mr Nice Guy goes after Microsoft
Man in the news, Page 8

FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND SEPTEMBER 11/SEPTEMBER 12 1993 — D8523A

Germany backs EC integration for eastern Europe

Germany yesterday backed a push for the integration of eastern Europe into western institutions, including Nato, the European Community, and the Western European Union.

German foreign minister Klaus Kinkel, spelt out a series of ways to promote enlargement of Nato and the EC to include the central European democracies, without alienating Russia and Ukraine. Page 24

UN 'accepts Somali deaths': United Nations commanders in Somalia seem to be tolerating large numbers of civilian casualties in their battle against General Mohammed Farah Aideed, the rebel warlord. Some 107 people were taken to hospital after US helicopters fired on civilians in Mogadishu on Thursday. Page 4

Ministers to press ahead on pay: Senior ministers met the protest from union leaders over the decision to maintain tough controls on UK public sector pay with a warning that the government would press ahead. Page 24; Motions for conference reveal discontent, Page 6

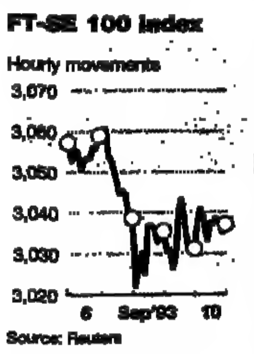
Fighting flares in Croatia: Fighting flared between Serb and Croat forces around Serb controlled regions in Croatia, threatening to rekindle the war between the Croat government and rebel Serbs in the area. Page 2

UK trade gap narrows: The improved competitiveness of UK goods, following the devaluation of sterling a year ago, helped narrow the trade gap in the second quarter to £3.3bn compared with £3.5bn in the previous quarter. Page 6

Meters 'could cut water use by 11%': Household water meters could cut water use by some 11 per cent, according to a report by the government and the water industry. **Page 24**

France confident on farm talks: France confidently expects the EC to reopen negotiations with the US on Blair House, the farm trade accord reached last November, when EC foreign and agriculture ministers meet at a special council in Brussels on September 20. Page 2; Showdown at the French corral, Page 9

Share rally reflects interest rate hopes:



A cautious rally on the London stock market reflected hopes of an early cut in UK interest rates after the Bundesbank's action this week. A temporary respite from the flow of company trading results relieved some of the pressure but the recovery was erratic and the FT-SE 100 Index twice came close to re-testing its overnight levels before closing 5.8 up at 3,037. London stocks, Page 15; Lex, Page 24

Italy approves cost-cutting: After an 11-hour cabinet session Italy's government approved tough cost-saving measures to raise an extra L28,000bn (£11.8bn) in the 1994 budget. Page 2

Paramount earnings rise: Paramount Communications, the US media group rumoured to be considering merging with Viacom Communications, reported first quarter net earnings of $120.4m compared with $114.3m. Page 12

Signet cuts loss to £26.9m: Forty Ratners shops are to be converted into H. Samuel branches, a more up-market format, after a 12 per cent fall in sales for the British high street jewellers in the first half. The renamed Signet Group cut its pre-tax loss in the six months to July 31 to £26.9m from £27.7m. Page 10

Oil prices fall: Oil prices fell more than 50 cents a barrel to their lowest level in three years but recovered slightly after a Saudi Arabian official said a freeze on its production would be acceptable. London October futures for world benchmark crude oil Brent Blend fell to $15.50 a barrel before recovering to $15.72. Commodities, Page 12

Reuters services disrupted: Reuters, the international financial information news service, said atmospheric electrical interference close to a data processing centre in New York disrupted some of its screen-based services.

■ STOCK MARKET INDICES		
FT-SE 100:	3037.0	(+5.8)
Yield	3.86	
FT-SE Eurotrack 100	1263.72	(-2.33)
FT-A All-Share	1511.39	(+0.2%)
Nikkei	20,817.98	(-7.6)
New York: lunchtime		
Dow Jones Ind Ave	3611.29	(+21.8)
S&P Composite	460.70	(+3.20)
■ US LUNCHTIME RATES		
Federal Funds:	$2\frac{15}{16}$%	
3-mo Treas Bills: Yld	3.023%	
Long Bond	105	
Yield	5.89%	
■ LONDON MONEY		
3-mo Interbank	$5\frac{3}{32}$%	(same)
Liffe long gilt future:	Sep $114\frac{5}{32}$	(Sep $114\frac{1}{16}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Oct)	$15.68½	(16.09)
■ Gold		
New York Comex (Dec)	$352.4	(356.5)
London	$349.85	(354.15)

■ STERLING		
New York lunchtime:		
$	1.55385	
London:		
$	1.549	(1.551)
DM	2.475	(2.4774)
FFr	8.69	(8.735)
SFr	2.18	(2.1725)
Y	164.5	(162.5)
£ Index	81.3	(81.6)
■ DOLLAR		
New York lunchtime:		
DM	1.593	
FFr	5.5845	
SFr	1.3905	
Y	105.15	
London:		
DM	1.598	(1.597)
FFr	5.61	(5.6325)
SFr	1.3945	(1.4)
Y	106.25	(104.75)
$ Index	64.3	(64.2)
Tokyo close Y 105.63		

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US to renew PLO contacts — Arafat warned by radicals — Arab states remain wary — Rabin signs recognition pact

'We are making history here'

The possibility of peace is dawning in Jerusalem, reports Julian Ozanne

FOR years it has been illegal to demonstrate in East Jerusalem, to wave a Palestinian flag was an act of defiance. It still is. But yesterday the Israeli army just stood by.

Soldiers did not fire tear gas and Palestinians did not throw stones as several hundred youths unfurled the red, green, white and black standard of Palestine over the stone battlements of Jerusalem's old city.

The demonstrators, many in military fatigues and black and white Palestinian scarves, clapped, danced and chanted songs in praise of Mr Yassir Arafat, chairman of the Palestine Liberation Organisation.

Their chanting echoed across a city built by King David and his son Solomon nearly three millennia ago and which has provoked religious conflict, political rivalry and foreign conquest in an almost uninterrupted flow ever since.

Posters of Mr Arafat were carried high above the crowd gathered outside the old city's ancient Damascus gate.

The change in climate is electrifying. "I have never seen this before," said Mr Abed Alloun, a student representative. "We are making history here. We are taking our political rights from the Israeli occupiers and soon we will have our own state."

As the enormousness of the peace accord dawns on both sides of the Green Line which divides Arab and Jew in this holy city, support for the agreement is growing.

Opinion polls of Palestinians show a clear 60-65 per cent in favour of the deal. "People are excited and happy about it. Most people feel it is the first step to a Palestinian state after 45 years of hell," said Mr Nabil Feidy, a money-changer on Salahadin Street in East Jerusalem.

"People aren't dancing on the rooftops yet. There are a lot of questions to be answered like what will happen to us in East Jerusalem. A lot of people still have their relatives in jail. Mothers and fathers have lost their children in the *intifada* (the Palestinian uprising). It will take time."

Elsewhere in Israel, despite vociferous protests by Jewish settlers and other rightwingers against what they term the "treachery and foolishness" of Mr Yitzhak Rabin, Israeli prime minister, support is growing as fear wanes. An opinion poll in yesterday's Hebrew newspaper Yediot Ahronot found 57 per cent of Israelis support the accord with 41 per cent opposed. A week ago only 53 per cent backed the deal,

> 'For most of my life, I battled against the PLO. Making peace is a dream come true.'
>
> **Binyamin Ben-Eliezer, Israeli minister of construction, who spent 27 years in uniform**

with 44 per cent against. The survey also found, however, that a large majority – 68 per cent – want Mr Rabin to have a referendum on the agreement.

Many of Israel's fighters who have faced Arab armies in four major wars and countless small ones strongly endorse the agreement. Mr Binyamin Ben-Eliezer, the minister of construction, who spent 27 years in uniform, said: "For most of my life, I battled against the PLO". Making peace with the organisation, he said, "was a dream come true. I am glad that my generation, which carried the burden of all those wars, is trying to save the next generation."

Mr Mordechai Gur, deputy defence minister and former head of the paratroop division which captured Arab east Jerusalem in 1967, added simply: "This is what we fought for."

Even relatives of victims of PLO attacks on Israel have been speaking out in favour of the accommodation. Ms Ilana Romano, widow of one of the 11 Israeli athletes murdered at the 1972 Munich Olympics, said she had been in "a state of inner turmoil" since news of the talks with the PLO broke. She could never forgive Mr Arafat, but, she said: "I want peace very much. If even one life is saved, it will be worthwhile."

The peace may be signed and is about to be sealed but it has yet to be delivered. No two peoples are so divided by mutual hatred, while at the same time united in the absoluteness of their claims to God-given sovereignty over the same piece of land.

Yesterday Jews and Arabs prayed 100 yards from each other in the old city.

Pious Palestinians kneeled in submission to Allah at the Dome of the Rock Mosque while Orthodox Jews prostrated themselves before the Wailing Wall.

Both are united in their belief that the mutual recognition between the PLO and Israel, concluded yesterday by Mr Arafat and Mr Rabin, is a sell-out and a sin against God.

"This land is our land, our Islamic land," said Mr Souhail Abed, clad in a Palestinian kafiyeh, as he left the stone-walled old city through the ancient Damascus Gate. "Arafat has no right to give up our holy land. My country is in Jaffa (a suburb of Tel Aviv) and nobody will give this back under the agreement. I don't accept it."

Mr Gerson Friedman, an orthodox Jew, has similar feelings. "God gave this land to us. Giving up even a small piece of it is like

Continued on Page 24
Clinton hails accord; Israelis asked to trust old enemy, Page 4
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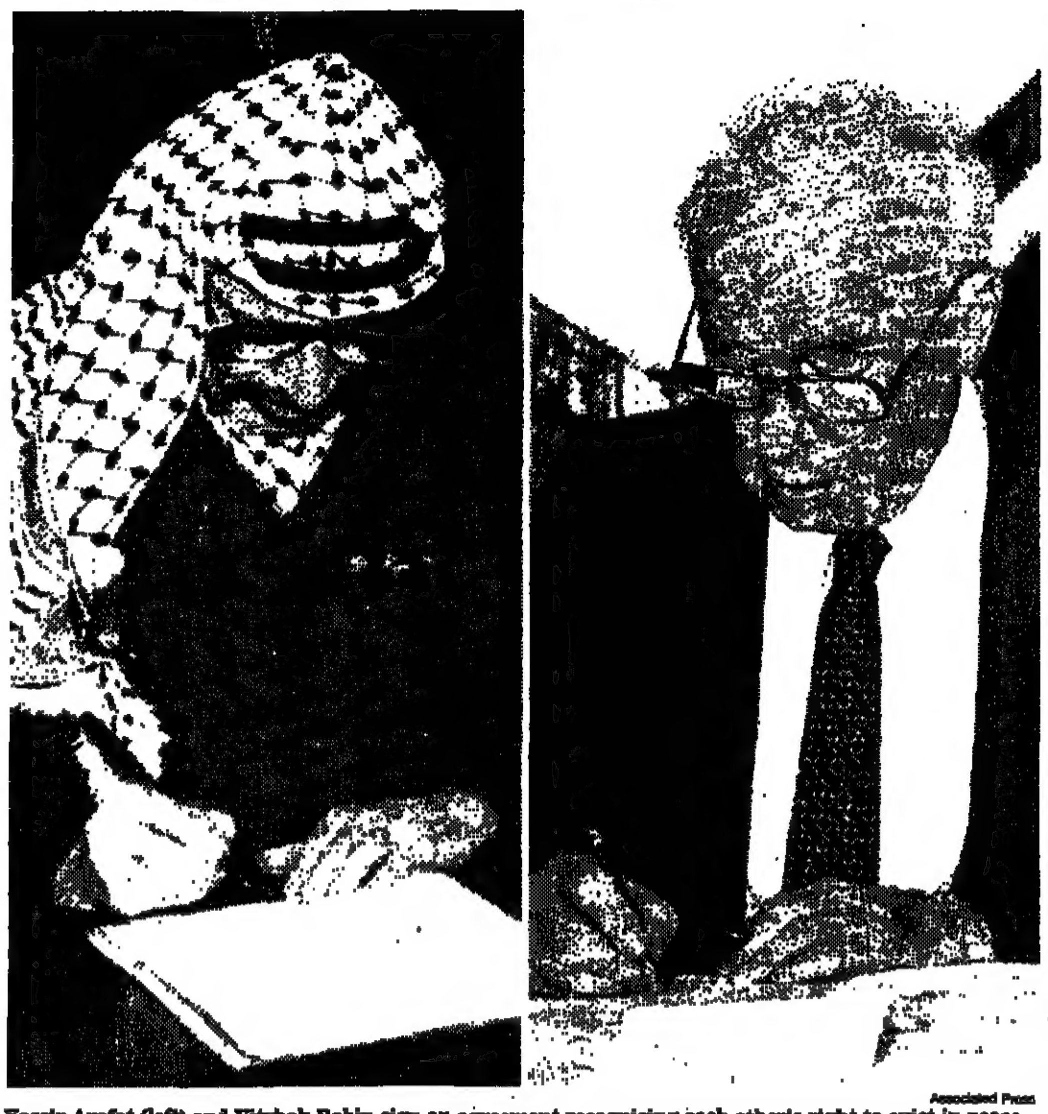

Associated Press
Yassir Arafat (left) and Yitzhak Rabin sign an agreement recognising each other's right to exist in peace

Canary Wharf banks plan £1.1bn rescue deal

By Vanessa Houlder, Property Correspondent

BANKERS yesterday put forward proposals for a £1.1bn rescue package to save Canary Wharf, the insolvent London Docklands office scheme, from liquidation.

The proposals would pave the way for the £1.8bn extension to east London of London Underground's Jubilee Line.

The agreement, hammered out during more than a year of complex negotiations, depends on approval by the project's 1,400 unsecured creditors at a meeting on September 30. If agreement is reached, Canary Wharf is expected to emerge from administration, a UK insolvency procedure, by the end of October.

Canary Wharf, which cost more than £1.5bn to build, has been valued at just £50m-£100m. The rescue package depends on the secured lenders investing substantial new funds in the project in the expectation of recouping more of their existing £568m of loans.

Mr Iain Cheyne of Lloyds Bank, which co-ordinated the rescue package, said the banks intended to hold on to their investment at present. "We believe that the value of the project is in the future," he said.

Unsecured creditors, who have been offered payment of up to 15p in the pound, have been told they have no chance of securing a better offer. Mr Cheyne said that if creditors rejected the deal, Canary Wharf would go into liquidation, which would be "a tragedy for the Docklands".

The rescue of Canary Wharf and the Jubilee Line extension could have a lasting impact on the potential success of Docklands, which suffered a crisis in confidence after the insolvency of Canary Wharf in May 1992.

Better transport links would help Docklands overcome its difficulties in attracting tenants, which, with the collapse in the London office market, resulted in the failure of Canary Wharf.

The government is expected to approve the Jubilee Line extension once the Olympia & York companies come out of adminis-

Continued on Page 24
More details, Page 5

Independent asks OFT to review Times price cut

By Robert Rice and Raymond Snoddy

THE Independent newspaper yesterday called on the Office of Fair Trading to investigate the 15p cut in the cover price of its rival The Times.

The submission came at the end of the first week of the 30p Times. Newspaper wholesalers were last night privately reporting results of surveys showing The Times may have increased its sales by just under 40 per cent, although News International yesterday claimed a more conservative 22 per cent rise.

In its submission to the OFT, The Independent accused Mr Rupert Murdoch of deliberately accepting short-term losses at The Times to try to force The Independent out of the market.

Such "predatory pricing" – deliberately lowering prices to uneconomic levels in the short term with the intention of eliminating competition – amounts to an unlawful anti-competitive practice under the 1980 Competition Act.

Mr Andreas Whittam Smith,

Continued on Page 24

Japanese business confidence 'at its lowest in 18 years'

By William Dawkins in Tokyo

JAPANESE manufacturers' business confidence ebbed to its lowest in 18 years between May and August this year and service industries' sentiment was at its most pessimistic ever, the Bank of Japan said yesterday.

The results of the bank's quarterly Tankan survey on business sentiment, taking in 7,400 companies, were slightly worse than expected and show that Japan might have slipped into recession over the summer with no prospect of an early recovery, said economists.

The business confidence index, which measures the balance between the percentage of companies which see the outlook as good less those which believe it is bad, stood at -51 for manufacturing industry at the end of last month. That is the lowest since 1975 and compares with -49 in each of the previous two quarters. Service industries fell to -41, from -38 in the previous survey at the end of May.

This latest evidence from what is seen as Japan's most important business survey increases the likelihood that the central bank will make a half-percentage point cut in its 2.5 per cent official discount rate some time this month, said analysts.

It also increases the urgency of the government's economic stimulus package, details of which will be published next Thursday. Demand is weak. A balance of 51 per cent of manufacturing companies reported excess supply for their products and 32 per cent said inventories were too high.

As a result, manufacturers find their ability to dictate prices has weakened. The index of prices, which measures the balance between those expecting sales prices to rise against those forecasting a fall, declined by 10 points since May to -32.

A balance of 26 per cent of manufacturers had excess capacity. On average, manufacturers plan to cut capital investment by 5.9 per cent in the tax year ending next March, having forecast a smaller 4.4 per cent in the last survey. The employment outlook is also weak, with a balance of 19 per cent of all companies believing their workforces are too large.

No end in sight, Page 4

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No 32,163 Week No 36

France believes its position on Blair House is 'understood'

Paris certain farm talks will reopen

By David Gardner in Brussels and Quentin Peel in Bonn

FRANCE confidently expects the EC to reopen negotiations with the US on Blair House, the farm trade accord reached last November, when foreign and agriculture ministers of the Community meet at a special council in Brussels on September 20.

Mr Jean Puech, French agriculture minister, said yesterday after meeting Mr André Bourgeois, farm minister of *Belgium, which currently* holds the EC presidency, that "we are confident our position has now been understood".

However, Mr Günter Rexrodt, the German economics minister, warned France yesterday that its rejection of the EC-US farm trade deal risked blocking the Gatt Uruguay Round of world trade reform talks in Geneva.

"The Blair House agreement will not be reopened, in the view of the federal government," *he said after talks with* Mr Gérard Longuet, the French industry minister.

Only if France could prove that the deal went beyond the agreed EC *farm* reforms would Germany be prepared to consider ways of finding a compromise, Mr Rexrodt said.

Nonetheless, Mr Puech was adamant yesterday that the *alternative to* reopening the deal was "a useless crisis in the Community". He reiterated *France's threat to exercise* a veto which would wreck any chance of concluding the overall Gatt talks by their December 15 deadline.

The minister underlined that "France does not want this." Mr Puech refused to confirm the accounts of senior officials from other EC member states that France had entered direct talks with the US on improving Blair House and the farm chapter of the Uruguay Round.

These officials and senior *Commission officers* say that the French government, Mr Jacques Delors, the president of the European Commission, and *Mr* Peter Sutherland, director-general of Gatt, have all been in negotiations with Washington to get a form of words on agriculture and other chapters of the Uruguay Round acceptable to France.

Sir Leon Brittan, EC trade commissioner, is to meet Mr Mickey Kantor, US trade representative, in Washington on *Monday in what officials say* may be a critical part of these negotiations.

The European Commission has said that there can be no reopening of the accord. At the September 20 meeting, therefore, France needs the unanimous support of its partners if it is to go back into the detail of the deal, rather than try to *improve it through side* agreements.

Italy approves budget cost-saving measures

By Robert Graham in Rome

ITALY'S government early yesterday morning, after an 11-hour cabinet session, approved tough cost-saving measures to raise an extra L28,000bn (£11.8bn) in the 1994 budget.

The planned extra revenues, combined with limited new fiscal measures, will raise L32,000bn. This will hold the public sector deficit down to L144,000bn. The cuts, which caused considerable ministerial tensions, will have to be endorsed by parliament.

The speed with which parliament approves the budget will have a direct impact on the date for early elections. Parliament *is technically meant to* pass the budget by December 30 but this date has often been ignored.

With new electoral laws in place since last month, parliament is expected to have completed the introduction of legislation on constituency changes by late December.

Mr Carlo Azeglio Ciampi, the prime minister, said yesterday the austerity budget sought to spread the burden of sacrifice. Several tax measures were specifically designed to benefit the less wealthy, such as provisions for property tax and exemptions on basic health payments. However, *the* government risks being accused of failing to address sufficiently, either in terms of direct aid or tax incentives, the problem of Italy's rising unemployment.

Mr Ciampi, a former governor of the Bank of Italy, insisted the budget was a strong signal to the international community that the country was intent on regaining financial credibility by putting its public accounts in order. The budget, he said, would have a primary surplus (the balance of income and revenue excluding debt service payments) of L32,000bn, equivalent to nearly 2 per cent of GDP.

The 1994 budget devotes unprecedented attention to finding savings through reform of the public administration and reducing the privileges of civil servants. The proposals include:

- Transformation of the ministry of posts into a public company/agency.
- Abolition of the ministry *of* merchant marine and the absorption of its activities in a restructured transport ministry.
- Abolition of all but two inter-ministerial committees and "quangos".
- Devolution of central control of universities and schools *to the institutions themselves*.
- A virtual block on civil service recruitment and greater job mobility combined with greater freedom *to hire and* fire.
- Reducing pension privileges by penalising early retirement.

Ministers said yesterday the transformation of the posts ministry into an agency would save L1,500bn. Potentially bigger savings will come from reforms in the education ministry. Between officials and *teachers this ministry* accounts for 1.1m public sector employees.

There will be a block on hiring new teachers while the devolution of management to the educational establishments is expected to create a far efficient use of resources.

Furthermore the civil service will be subjected to a policy of *limited recruitment.*

Global warrant for ex-BCI chief

MILAN magistrates have issued an international arrest warrant on a charge of alleged corruption for Mr Enrico Braggiotti, former chief executive of Banca Commerciale Italiana (BCI), the leading *state-controlled* bank, writes Robert Graham. Mr Braggiotti is the second senior banker to be caught up in investigations into bribery and corruption surrounding the "Enimont affair".

This involved the 1990 sale at an inflated price of the Ferruzzi group's 40 per cent stake in Enimont, a chemicals venture with Eni, the state oil concern.

A local arrest warrant was issued for Mr Braggiotti on September 3, but this only came to light yesterday when the banker was formerly declared a fugitive from justice. Mr Braggiotti, also a former board member of Mediobanca, is currently chairman of Compagnie Monegasque de Banque. According to leaks from Milan magistrates, Mr Braggiotti is wanted in connection with a pay-off worth up to L5bn (£2m) made on the orders of the late Mr Raul Gardini, then chief executive of Ferruzzi-Montedison, to Mr Vincenzo Pal*ladino, former deputy* chairman of BCI.

Mr Palladino was last week released from jail after being arrested on July 29 on allegations that he pocketed the money from Montedison while he was a court-appointed custodian of Enimont shares in November 1990. This was the moment when a deal was being worked out between Mr Gardini and Eni for Ferruzzi-Montedison's stake that subsequently led to political pay-offs totalling L150bn.

Mr Braggiotti is alleged to have helped smooth Mr Palladino's relations with Mr Gardini and then aided the former in receiving up to L2bn from Montedison by putting him in touch with a Panamanian company that accepted a false billing.

It was also announced yesterday that Mr Diego Curto, the deputy head of the Milan courts jailed last Friday on charges of accepting L320m for his part in the Enimont affair, had been stripped of his pay and suspended from all judicial functions. Mr Curto was the judge responsible for ordering a freeze on Enimont shares in November 1990 and placing them in the hands of Mr Palladino.

Reuter

Mr Boutros Boutros Ghali (left), UN secretary-general, greets Bosnian President Alija Izetbegovic in New York. The Bosnian leader had flown in from Washington, where he met President Clinton

Yeltsin delivers second challenge to parliament

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin of Russia yesterday threw down another constitutional challenge to the country's parliament *when he stated in a letter* to Mr Ruslan Khasbulatov, the parliamentary speaker, that he would not sign a budget law sent to him by parliament.

Mr Yeltsin justified this second, unconstitutional, refusal *to sign* by claiming the budget law was new because it had a new name. Mr Khasbulatov, in an angry reply, insisted it be signed.

The clash came as a senior government adviser warned that the government was now powerless to stop hyperinflation and financial collapse.

Irrespective of the outcome of *this* exchange, *the* parliament is due to discuss yet another budget law, with revised figures, which would mean an even larger budget deficit than that already forecast. The present bill already *calls for a deficit amounting to* 20-25 per cent of GDP.

Mr Yeltsin will eventually have to choose between unconstitutionality and signing a bill with huge deficit implications.

In a series of comments *gloomy even by Russian stan*dards, Mr Andrei Ilyaronov, adviser to Mr Victor Chernomyrdin, the Russian premier, said the government would have to operate one or other law passed by the parliament – and that would mean a collapse of the state's finances by the end of the year.

Mr Ilyaronov, supported by Mr Sergei Vassilyev, head of the government's Centre for Economic Performance, and Professor Anders Aslund, a government adviser, said the agreement between the government and the central bank to limit credit expansion to 20 per cent in the current and the fourth quarter of the year was already destroyed.

Credit expansion in the current quarter would be at least 43 *per cent, while that figure* would be exceeded "several times" in the final quarter because of budget demands.

Mr Ilyaronov and his colleagues said the government no longer controlled finances *since, irrespective of what pro*gramme was agreed, spending decisions were made and carried through outside the Ministry of Finance and the cabinet room.

- A close aide to Mr Yeltsin yesterday forecast the creation of a political union of former Soviet states which would "logically and inevitably" follow the steps now being taken towards greater economic integration.

Mr Vyacheslav Kostikov, the president's chief spokesman, said in the popular daily Komsomolskaya Pravda that "a new deal which will define the geopolitical contours and the strategic parameters of a new community" was now possible, after the "uprooting of a few prickly nationalist weeds".

It was only, he said, "a mat*ter of time*".

Clinton reasserts superpower role

By George Graham in Washington

PRESIDENT Bill Clinton yesterday asserted the US's willingness to assume the *responsibility of world leader*ship in an effort to assuage doubts about America's view of its role as the sole remaining superpower.

While acknowledging that the US had played a peripheral part in the *secret negotiations* that led to mutual recognition of Israel and the Palestine Liberation Organisation, Mr Clinton said the deal offered an opportunity for an "effort to reassert and define America's role in a very new world.

"We must develop a strong philosophy and a practical set of institutions that can permit *us to follow our values and our* interests and to work for a more humane and a more democratic world," Mr Clinton said at a White House ceremony to announce that the US would resume contacts with the PLO.

Since he took office Mr Clinton has not always been able to strike an effective balance between his desire to act multilaterally and his inability to push his allies in the directions *he wishes to go.*

In Bosnia the US has tried to lead the UN and Nato towards a firmer policy against Serbian and Croatian aggression, but has backed off when confronted by European resistance.

Mr Clinton yesterday asserted a compelling US interest in "peace, the absence of oppression, the recognition of human rights – both on an individual and group basis – and, wherever possible, democracy.

"I believe that while we must work with our friends and *neighbours and allies through* multilateral organisations as much as possible, the leadership of the United States is still absolutely essential to bring many of these conflicts to a successful conclusion," the president said.

Wholesale prices fall

A SHARP drop in US wholesale prices *last* month provided further confirmation of declining inflationary pressures, the Labour Department reported yesterday, writes Michael Prowse in Washington.

The producer price index for finished goods fell 0.6 per cent between July and August, against a consensus forecast on Wall Street of a *rise* of 0.2 per cent.

It was the third consecutive monthly decline. The annual rate of producer price inflation fell to 0.6 per cent against 1.3 per cent in July.

Officials said the sharp fall in wholesale prices mainly reflected an erratic 25.6 per cent decline in tobacco prices last month. A 0.5 per cent increase in food prices was more than offset by a 0.8 per cent decline in the cost of energy.

The "core" producer price index, which excludes food and energy, fell 1 per cent. Exclu*ding tobacco, core prices* were up 0.2 per cent.

The weakness of wholesale prices was consistent with recent reports of sluggish economic growth.

Fears grow over fresh conflict in Croatia

By Gillian Tett

FIGHTING flared between Serb and Croat forces around Serb controlled regions in Croatia yesterday, threatening to rekindle the war between the Croat government and rebel *Serbs in the area.*

Serb forces in the Krajina enclave shelled Croat government positions, after Croat forces launched an offensive in the Gospic area and captured several villages.

The Croat offensive, which began on Thursday, marked the first attack across the UN ceasefire lines for eight months.

The latest conflict fuelled fears that any lull in the fighting in Bosnia could rapidly be replaced by renewed battles in Croatia.

The six-month war which Croatia fought with the rebel Serbs around the enclave two years ago officially ended in

January 1992, after the Serbs were given de facto control of the Krajina area, monitored by some 15,000 UN peacekeepers. This situation left the Croatian government hoping it would eventually regain the territory.

But in recent weeks skirmishes along the border have intensified, as the Croat government has become increasingly concerned that the proposed partition of Bosnia could herald the partition of Croatia as well and the rebel Serbs grow optimistic that the peace plan would allow them to link Krajina with the Serbian *republic.*

UN officials yesterday appealed to both sides to show restraint.

General Jean Cot, commander of the UN protection forces in the former Yugoslavia, said: "The past 24 hours have seen the most dramatic increase in tensions since January 22.

Croat forces were *now* engaged in new offensives south of Gospic, the UN added.

General Mile Novakovic, the Croatian Serb military commander, threatened to open fire on all military targets in Croatia if the Croats did not withdraw from the villages it had taken.

NEWS IN BRIEF

Siemens keeps up rail contract fight

SIEMENS, the German electrical and engineering group, is to continue fighting for a \$2.4bn (£1.55bn) high-speed rail contract in South Korea recently awarded to GEC-Alsthom, the Anglo-French engineering group, writes Christopher Parkes.

"I have not given the contract up as lost," Mr Heinrich von Pierer, group chairman, said on Thursday night. He had written twice to the Korean government claiming that Siemens' bid was not properly assessed.

Mr von Pierer said he had considered carefully before registering *his* protest and such moves were not unusual in international business. He had asked for publication of the tender evaluation criteria, he said.

Tapie drops football appeal

Mr Bernard Tapie, chairman of Olympique Marseille, the scandal-scarred French football club, yesterday abandoned his legal appeal against the club's exclusion from this season's European Cup, following representations from the French football league, writes Alice Rawsthorn.

OM, one of France's top football clubs, was fighting against a ban imposed on Monday by Uefa, *the European football author*ity, which excluded it from the European Cup *following allega*tions of bribery by the club's officials.

Fake World Bank securities

Financial fraudsters have been trying to sell hundreds of millions of dollars of fake World Bank securities in the US and the UK, writes Robert Peston. The World Bank, the multilateral development bank, yesterday warned investors not to buy prime bank notes or prime bank guarantees which carry its name.

Investors are offered astonishingly *high* rates of interest. A scheme being marketed in the UK offers 156 per cent *return for* an investment of \$10m (£6.4m) and 260 per cent for \$100m and higher.

VW advert upsets associate

VOLKSWAGEN'S attempts to polish its tarnished corporate image have upset Dresdner Bank, one of its close associates, writes Christopher Parkes in Frankfurt.

The bank, represented on the VW supervisory board by main board director Mr Bernd Voss, is believed to have complained to the motor group that it took liberties with its analysts' latest report on VW in a corporate advertising campaign.

A recent full-page newspaper advertisement touting VW shares drew heavily and selectively on an August 30 study from Dresdner International Advisors, which described the *stock as "under-valued"*.

The embarrassed bank said yesterday the extracts were taken out of context from a news agency report, and disregarded criticism of poor performance at the group's Seat sub*sidiary in Spain.*

The advertisement is part of a corporate campaign apparently designed to offset media criticism and the effects on the group's image of the continuing probe into allegations that Mr *José Ignacio López* de Arriortúa, production director, stole secrets from General Motors, his former employer.

Norwegian parties put their faith in higher taxes

Unemployment is key election issue, write **Hugh Carnegy** and **Karen Fossli**

MR Thorbjoern Jagland, leader of Norway's Labour party although not its prime ministerial candidate, was adamant in the final televised debate before Monday's general election that higher taxes and more public jobs were the way to solve the country's persis*tent unemployment problem.*

"We will have to accept that higher taxes will be necessary to create more jobs and that *we will use the public sector as* a motor to create new jobs," he said in a debate between candidates from eight parties.

The ruling *Labour* party clings to socialist orthodoxies long after most of Europe's social democratic parties have adopted market policies to shore up diminishing support. But in Norway, where oil *wealth has helped cushion the* economic shocks which have hit the continent in recent years, the European trend to cut government spending as the way to attack unemployment is little in evidence. Labour looks set to return to *power in Monday's vote*, according to polls.

Aside from the question of Norway's membership in the *EC, how to deal with post-war* record unemployment of 8.2 per cent has been the dominant issue in an otherwise lacklustre campaign.

In Thursday night's debate, held in the lakeside town of Gjoevik, the main opposition Conservative party's spokesman on the economy, Mr Per-Kristian Foss, was a minority *voice when he said* Norway *should be dismantling its high* tax regime and big public sector if the country wanted to create jobs. "Every time Labour has promised *lower* unemployment in an election campaign, it has gone up," Mr Foss said.

However, even the right-wing Progress party, which was founded on a tax-cutting *platform, seems to have aban*doned *this ideal* in the face of public demand for immediate solutions to the unemployment problem. Most of the attacks on Labour during the debate came from the Centre party, the Socialist Left party and the neo-Maoist Red Choice Alliance which, to varying degrees, argued for more state involvement in the fight against joblessness, despite annual government spending of NKr20bn (£1.87bn) on training schemes.

The representatives of the three parties also called for a special tax on overtime, which Labour has rejected. They claim more that 130,000 Norwegians have more than one job, and by taxing overtime some 108,000 jobs could be immediately created.

Nor did the Christian People's party, just four years ago a Conservative coalition partner, offer much support to Mr Foss. Instead, Mr Jon Lilletun, its representative, called for the pension age to be lowered to 64 from 67 to create 30,000 new jobs.

A right turn in economic policy therefore seems unlikely after Monday's vote. With Labour consistently leading in the polls, but with no prospect of winning an overall majority, the expectation is it will form a government relying principally on the backing of the Socialist Left and Centre parties.

This will mean a delicate balancing act for Mrs Gro Harlem Brundtland, Labour's figure*head and trump* card as an experienced and respected prime minister. Assuming she returns to power, she will have to maintain the partners' support, despite their vehement opposition to Labour's application for Norwegian membership of the EC.

In what promises to be a complex pattern of party alliances, Labour will look to the Conservatives, the second largest party, for backing on the EC issue.

The Conservatives would like to form another coalition, as they did after the last election, in 1989. *But that is* unlikely because of the lack of pro-European partners. The previous coalition with the Christian People's party and the Centre party fell apart after a year over the junior partners' opposition to EC membership.

NORWAY'S ruling Labour party remains on course to return to power in Monday's general election, according to an opinion poll *published* today, Hugh Carnegy reports from Oslo. However, another poll yesterday showed a clear majority against membership of the EC, under*lining the tough task facing a new Labour* administration committed to pushing ahead with Oslo's application to join the community.

The election poll in the newspaper Aftenposten showed support for Labour at 36.2 per cent, *down slightly from earlier this week but still* well ahead of its nearest rival, the Conservative party, which was up almost 2 points at 21.1 per cent. The anti-EC Centre party continued its sharp rise in the polls to 12.8 per cent.

Opposition to EC membership, meanwhile, stood at 54 per cent.

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Clinton hails accord as 'shining moment of hope'

By George Graham in Washington and Julian Ozanne in Jerusalem

THE US formally announced that it would renew its contacts with the Palestine Liberation Organisation yesterday, opening the way for PLO and Israeli leaders to sign an historic peace agreement at the White House on Monday.

The announcement followed the signature earlier by Mr Yitzhak Rabin, the Israeli prime minister, of a letter recognising the PLO as representing the Palestinian people.

Mr Rabin signed the letter after receiving a similar letter from Mr Yassir Arafat, the PLO chairman, recognising Israel's right to exist in peace and security and renouncing the use of terrorism.

After signing the letter of recognition Mr Rabin said: "It's an historic moment that hopefully will bring about an end to 100 years of bloodshed, misery between the Palestinians and Jews."

He said the agreement was only the first step towards a comprehensive Middle East peace. "Its only the beginning but a tremendous, important beginning," said the former general flanked during a televised

US recognition of the PLO opens the way for signing of the peace agreement at the White House on Monday

ceremony by Mr Peres and Mr Johan Joergen Holst, the Norwegian foreign minister who played a critical role bringing the two sides together.

Hundreds of excited Palestinians later demonstrated in favour of the agreement in occupied Arab east Jerusalem and, in an unprecedented event, unfurled the banned Palestinian flag over the stone battlements of Jerusalem's old city.

At the White House ceremony on Monday, Israeli and Palestinian representatives are expected to sign a further agreement outlining arrangements for setting up a Palestinian administration in the occupied territories of the Gaza Strip and the West Bank town of Jericho.

Mr Shimon Peres, Israel's foreign minister, said he hoped also to reach a peace agreement with Jordan next week to complete a "triangle" of peaceful Israeli-Palestinian-Jordanian coexistence which "would change the entire fabric of the Middle East."

President Bill Clinton, announcing the US decision to resume contacts with the PLO, described the agreement between Israel and the PLO as "a shining moment of hope for the people of the Middle East and, indeed, of the entire world."

He said the US would "continue to be a full and active partner in the negotiations that lie ahead to ensure that this promise of progress is realised."

The US broke off the dialogue it had begun with the PLO two years earlier after a terrorist attack in Tel Aviv in 1990.

Mr Clinton said yesterday that the resumption of dialogue was justified by the PLO's commitment to accept Israel's right to exist in peace and security; to renounce terrorism; to take responsibility for the actions of its constituent groups; to discipline those groups which violated the new commitments; and to nullify parts of its charter denying Israel's right to exist.

While the US decision stops short of according full diplomatic recognition to the PLO, it is expected to lead to the reopening of PLO representative offices in the US and will certainly allow PLO leaders to enter the US for Monday's signing ceremony.

It led to an immediate meeting in Tunis between US and PLO diplomats at which the US formally invited a PLO delegation to Washington for the signing.

Mr Shimon Peres, the Israeli foreign minister, is expected to sign for his government, but it was not yet clear yesterday who would represent the PLO. Mr Mahmoud Abbas, head of the PLO's political affairs department, was one possibility.

The ceremony is also expected to be attended by Mr Andrei Kozyrev, the Russian foreign minister and Mr Amr Moussa, the Egyptian foreign minister.

Invitations have been extended to former US presidents and secretaries of state, including Mr James Baker, who was the chief architect of the Middle East peace talks, the framework for which he achieved in eight shuttles to the region starting immediately after the end of the Gulf war.

In Jerusalem, right-wing demonstrators outside the prime minister's office branded the peace agreement as treason. Several hundred protesters banged metal cans and signs. "Rabin is a traitor," said Mr Noda Ben-David. "He is rushing like a madman to win the Nobel peace prize on the blood of our children."

Palestinian rejectionists similarly branded Mr Arafat a traitor. Two hardline members of the PLO's decision-making Executive Committee resigned and a third, Mr Farouk Kaddoumi, the PLO's "foreign minister", declared his dissent and said the agreements "violate the inalienable rights of the Palestinian people". Mr Ahmed Jibril, leader of the Damascus-based Popular Front for the Liberation of Palestine, said yesterday was "the blackest day" in Palestinian history and warned that Mr Arafat would be "punished".

But Mr Arafat's popularity appeared to be increasing in the occupied territories, especially in the West Bank. And in Israel an opinion poll published in a daily Hebrew tabloid showed 57 per cent of Israelis supported the government's peace drive while 41 per cent opposed it.

Israelis asked to trust their former enemy

By David Horovitz in Jerusalem

FOR ALMOST 30 years, since its foundation in 1964, millions of Israelis have been brought up to regard the Palestine Liberation Organisation with revulsion – as a terrorist organisation single-mindedly committed to Israel's destruction. And their greatest disdain has been reserved for a man they see as the arch-terrorist himself, the sly, unshaven, pistol-packing demon at its helm, Yassir Arafat.

One Israeli newspaper said yesterday Mr Arafat's PLO had, directly and indirectly, been responsible for the deaths of 1,311 Israelis in the course of three decades of Palestinian-Israeli conflict, and the wounding of more than 14,000.

Soldiers and settlers in the occupied territories, schoolchildren inside Israel, Israeli and Jewish passengers on foreign airlines and ships in distant continents, even Israeli athletes at the Olympic Games have been targets for the PLO.

Almost overnight, the Israeli public is being asked to undergo a profound and fundamental shift: not just to embrace the enemy, but to trust him as well.

Until recently it was illegal for Israelis to have any contact with PLO officials, let alone Mr Arafat.

Mr Menachem Begin, the late Likud prime minister, would refer to Mr Arafat as "that two-legged animal" and, during the Israeli siege of Beirut in the summer of 1982, approved an assassination attempt on him.

Yet by early next year, provided Palestinian self-government is implemented on schedule, Mr Arafat and his nominated deputees will assume responsibility for law and order in the Gaza Strip and the West Bank town of Jericho. He will control a large police force and confer with the very same Israeli security services that once plotted his downfall.

The Israeli right-wing and its supporters are simply unwilling to concede the possibility that Mr Arafat and his organisation have changed.

Mr Benjamin Netanyahu, leader of the opposition Likud, claims Mr Arafat is as determined as ever to destroy Israel, but has merely adopted a "phased programme" – taking Gaza and Jericho first, but keeping his sights set firmly on taking over all Israeli territory, and especially Jerusalem, the capital city claimed by both sides.

Mr Ariel Sharon, the former defence minister who led the Israeli invasion of Lebanon in 1982, is even less complimentary. "Arafat is a war criminal by any standards. There is not a man in the world today with so much Jewish blood on his hands. There's no place for peace with Arafat."

Not so, says Israeli foreign minister Shimon Peres, the man who spearheaded the 14 months of secret talks with the PLO that brought the breakthrough. "The PLO was a terrorist organisation. But the PLO has today stopped being the PLO. It has torn its charter to pieces."

Israel's prime minister Yitzhak Rabin stands uneasily in the centre, dismayed by Likud's flat rejection, but still not entirely persuaded by Mr Peres's enthusiasm. There was a clear element of embarrassment and discomfit in the way he grinningly welcomed Mr Johan Jorgen Holst, Norwegian foreign minister, to his office yesterday, blushingly remarking: "I believe you've brought a certain letter."

It was only last May, after all, that Mr Rabin was calling on Israel "not to trust Palestinians any more, even those with good intentions." And even over the last couple of days, briefing his party colleagues, he has stressed that he still regards the PLO as a "most unpleasant" enemy.

If the concept of making peace with Mr Arafat is still troubling Mr Rabin, it is hardly surprising that most Israelis are troubled too. But Mr Arafat seems to be doing his best to win them over.

For the past week, the PLO has been hosting an Israel Television crew at its Tunis headquarters. "Peace is on its way," he said with the broadest of smiles, "there is no turning back. The first steps to peace have begun," he said.

"With Allah's help, we'll meet again in Jericho," he promised the Israeli correspondent, rising to shake his hand. But behind the chairman, as the camera panned back, was a photograph of the Dome of the Rock, on the Temple Mount, in Jerusalem.

Arafat: Menachem Begin, the late Likud PM, approved assassination attempt on him Picture: UPPA

Arab governments remain impassive over accord

By Mark Nicholson, Middle East Correspondent

ARAB governments still negotiating their own peace agreements with Israel remained impassive yesterday at the Jewish state's historic recognition of the Palestine Liberation Organisation.

It was left to Egypt, which has enjoyed a cool peace with Israel since 1979, to embrace the move as a "positive step".

Jordan, which expressed umbrage at not having been consulted about secret PLO-Israeli talks leading up to the deal, adopted a similar tone yesterday. "Jordan does not have details and has not been consulted on the mutual recognition," said Mr Ma'an Abu Nowar, the information minister, "so I cannot make a response and join in the jollifications and happiness and wondrousness."

Syria, which felt similar hurt at having been taken off guard by the PLO, remained officially silent. It has yet to make any detailed response either to the outline agreement between the PLO and Israel on self-rule.

The Lebanese government also withheld comment, although the foreign ministry repeated its doubts over how the self-rule agreement would affect the tens of thousands of Palestinian refugees living in the country.

The three governments' silences, even granted the fact that Friday is a holy rest day in the Islamic world, serves as a reminder that much remains to be negotiated with Israel before the region can be said to be on the threshold of a full and comprehensive peace.

Only Jordanian negotiators at the Washington peace talks, which formally ended this week, have indicated that they could be ready to sign their own outline "agenda" with Israel by next week, although Mr Abu Nowar yesterday also cast doubt on that.

Responding to comments by Mr Shimon Peres, the Israeli foreign minister, that Israel and Jordan could sign a deal soon after the PLO-Israeli signing on Monday, he said only; "That's a bit optimisitic, shall we say. We haven't heard any reports to that effect from our negotiators."

Palestinian unity must be Arafat's next goal

By Lamis Andoni in Amman

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, has won his prize of recognition by Israel. But his historic diplomatic victory has riven the PLO fold, and many in the movement believe the deal with Israel could still backfire if its cost proves to be Palestinian national unity.

Mr Arafat's acceptance of a limited Palestinian autonomy, beginning in the Gaza Strip and Jericho, along with Israeli conditions for mutual recognition, has cost him the support of some of his closest comrades and fuelled unprecedented dissent within the organisation.

Mr Arafat is convinced he has seized an historic opportunity he could not afford to miss. He has also evidently decided to abandon efforts to retain a Palestinian consensus which, in the view of some of his aides, had previously paralysed the organisation.

He thus appears unperturbed by the slender majority by which the PLO executive committee approved agreement with Israel late this week. Eight out of 18 voted for the deal, four voted against, four more had already resigned or boycotted the meeting, one could not attend and one abstained.

Opposition to the concessions made by Mr Arafat to win recognition was predictably immediate and outraged from the traditional "rejectionist" Palestinian groups, which oppose in principle the talks with Israel. Mr Ahmed Jibril, leader of the Popular Front for the Liberation of Palestine – General Command, called yesterday his "blackest day", and warned that "Arafat and his group will be punished by the Palestinian people." Fatah Uprising, a radical splinter group, declared it would "shed the blood of the treacherous Arafat."

Accord has cost the PLO leader the support of some of his closest comrades

More significantly, Palestinian opposition over the past week has not been confined to traditional rejectionist groups. Many voicing concern include supporters of the peace process – including Mr Mahmoud Darwish, the prominent Palestinian poet, Mr Shafiq Al Hout, PLO representative in Lebanon, both of whom have resigned from the organisation in protest, and Mr Abdullah Hourani, an independent PLO committee member.

Yesterday, Mr Farouk Kaddoumi, PLO foreign minister, and number two in Mr Arafat's own mainstream Fatah movement, bitterly rejected the agreements, arguing that the leadership had no right to give up the Palestinian people's rights.

The Democratic Front for the Liberation of Palestine and the Popular Front for the Liberation of Palestine, the main opposition groups within the organisation, have already joined Hamas, the Islamic resistance movement, and are leading seven smaller groups in a campaign against Mr Arafat's strategy.

Although the opposition lacks coherence and a unified platform, it could still threaten Mr Arafat's undertaking, in the name of the PLO, to cease violence against Israel and discipline PLO members who violate this agreement.

The DFLP and PFLP are now considering withdrawing from the organisation, and joining Hamas, which has never been part of the PLO.

But Mr Arafat's failure to consult his colleagues is not the only cause of mounting dissent. In the view of his critics, he has made dear concessions in return for an Israeli recognition of the PLO which falls short of recognising the organisation as the sole and legitimate representative of the Palestinian people and their national rights.

Israel has already claimed that the PLO to which they have accorded recognition is different from that which they had for decades opposed as a mortal emeny. The converse effect on many Palestinians is to give rise to fears that by accepting the Israeli conditions, the PLO has in fact become stripped of its historic identity as the embodiment of Palestinian nationalism.

After gaining long-awaited and crucial recognition from Israel, Mr Arafat now faces a struggle to prove that the PLO remains true to the Palestinians' national rights and aspirations.

Unrepentant UN ready to accept civilian casualties in Somalia

Peacekeepers match Gen Aideed's ruthless tactics

By Leslie Crawford

UNITED Nations commanders in Somalia appear to have decided that they will tolerate large numbers of civilian casualties in their battle against General Mohammed Farah Aideed, the rebel warlord.

The conflict took a merciless turn this week when US combat helicopters opened fire on women and children to rescue trapped colleagues in Mogadishu.

The International Committee of the Red Cross said 107 wounded people were taken to Mogadishu's two hospitals after the attack on Thursday. It could not verify Somali claims of more than 100 civilian deaths.

But after three months of an increasingly bitter conflict, in which 48 UN peacekeepers have died, it appears that UN commanders were ready to expose Gen Aideed's ruthless tactics by firing on civilians used as shields for his militiamen.

Thursday's attack against patrolling US and Pakistani soldiers were carbon copies of previous ambushes: burning tyres and crowds of women and children tied down the convoy, while Aideed's snipers took aim from behind the safety of their "human shields".

Seven Nigerian troops were killed in this way last Sunday. The tactic was first used in June, when 24 Pakistanis were shot and mutilated by a hostile crowd.

In the latest ambush, US Cobra helicopters shot into the crowd.

The UN yesterday was unrepentant. "In an ambush there are no sidelines for spectators," said Major David Stockwell, the UN military spokesman. He said civilians close to the scene of an attack were regarded as combatants, whether armed or not, and that helicopters had dropped leaflets in the city warning women and children to stay indoors.

In the US, news of civilian casualties reinforced the impression that the UN's mission in Somalia had gone horribly wrong.

"We went to Somalia to prevent people from starving to death," said Senator John McCain, an Arizona Republican. "Now we are killing women and children. It's got to stop and it's got to stop soon." The Senate urged President Bill Clinton to outline his objectives in Somalia and set a deadline for the departure of US troops. The Senate debate on Thursday reflected unease in Congress with Mr Clinton's decision to send 400 crack US commandos to Somalia to capture Gen Aideed.

"The US has become another faction in Mogadishu's clan warfare," says Dr Mat Berdal at the International Institute for Strategic Studies in London. "Playing this cat and mouse game with Gen Aideed has bogged down the whole UN operation. It has damaged the credibility of the multinational forces."

Another UN consultant, who asked not to be named, said open confrontation with Gen Aideed's militias had destroyed the UN's chances of winning the support of the residents of Mogadishu.

Without local support, the UN's hopes of disarming the city are futile. Without disarmament, the chances of restoring peace and stability to the shattered capital are slim.

"Neither a high-tech aerial war or neighbourhood sweeps on the ground will flush out Aideed's guerrillas, and direct confrontation will only cause more civilian casualties," the consultant said. "The UN faces a lousy set of choices."

The military operation has been further weakened by disputes within the 28-nation force. Many contingents resent the way the US has come to dominate the peace-enforcing mission. Some question the wisdom of singling out Gen Aideed as the chief villain in the Somali saga. Many commanders have been tempted to cut informal deals with local militias to protect their men from sniper attacks. There is little co-operation between troops of different nationalities, and when disputes occur, they rapidly become full-blown diplomatic incidents.

"The main difficulty in coalition warfare is reconciling different national perspectives, and getting the various forces to accept one set of rules under a single unified command," admits Gen Jack Godfrey, chief of staff to the UN's special representative in Somalia, Admiral Jonathan Howe.

Unless this happens, the UN's 27,000-strong peacekeeping mission in Somalia risks becoming a costly blunder. The UN is already coming under fire for spending ten times more on the military operation than on its humanitarian work. And with every civilian casualty in Somalia, the UN's ambition to occupy centre-stage in the resolution of post-Cold War conflicts becomes less credible.

AP

A Somali militiaman yesterday shoots at a US Black Hawk helicopter, which returned fire

No end in sight to Japan's recession

By William Dawkins in Tokyo

THE monetary planners of the Bank of Japan's grey stone fortress in Tokyo's business district now have all the evidence they could need to justify a half-percentage point cut in official lending rates.

That was the message drawn yesterday by Tokyo economists from the central bank's latest quarterly survey of corporate confidence, the first since the formation of the coalition government of Mr Morihiro Hosokawa. It confirms that Japan's powerful economic machine has remained in neutral over the summer and shows no sign of engaging first gear for some time to come.

The central bank's Tankan survey of business confidence is seen as Japan's most authoritative study of short-term business intentions and is used by the bank in forming monetary policy.

The previous Tankan survey forecast a slight recovery, which appears to have been stifled by the continued rise of the yen through August and the wettest summer for years, which has restrained consumer spending.

"There are no signs of recovery," says Mr Peter Tasker, strategist at Kleinwort Benson in Tokyo. "It could be quite some time in coming, perhaps a year away. Between now and then we are in for a continuation of a slow, rolling recession."

Mr James Vestal, chief economist at Barclays de Zoete Wedd, said: "It's a little worse than we expected in terms of profits and sales outlook, a weak labour market and an increase in inventories...this recession is showing an extended bottom rather than a double dip. I don't think we will see an upturn for at least two quarters."

The manufacturing companies questioned said profits would fall by 10.7 per cent this year, a steeper fall than forecast in the previous survey, while a balance of 32 per cent had excess inventories, up one point on May.

Less pessimistically, Mr Robert Feldman, economist at Salomon Brothers, believes a turnaround could come by the end of the year, as two government spending packages, worth nearly Y24,000bn (£147bn) over the past 16 months, begin to feed through.

He, and others, believe government agencies have been slow to disburse that cash because of bureaucrats' fear, in the wake of the scandals of the past few years, of being arrested if they pass a construction contract to a company with which they have connections.

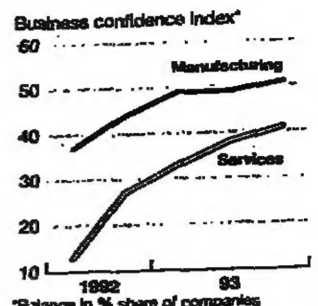
In conditions like these, it is no surprise that business lobbies have recently been urging the central bank to cut the official discount rate by a full percentage point or more from the 2.5 per cent at which it has held since February. But analysts believe that the bank, which has always been cautious about changing interest rates, will hesitate to go that far and content itself with a half-point cut some time this month.

Moreover, a big rate cut could be unnecessary given that the government is preparing an economic stimulus package likely to include tax reductions, more spending and cuts in business red tape. The bank traditionally co-ordinates with government policy, even though it is in theory independent.

"Lower interest rates improve conditions for capital investment, but are not enough by themselves," warns Mr Kagehide Kaku, director of the bank's research and statistics department. Only when business sentiment improves will falling interest rates work, he says.

Japan

Business confidence index*



*Balance in % share of companies reporting favourable conditions less those reporting unfavourable conditions
Source: Bank of Japan

Shame about the high prices

JAPANESE consumers will from next month be able to compare officially vetted import cost prices with astronomically high retail prices.

The move is part of the new government's drive to encourage consumers' interests in a country traditionally run with reference to producers' lobby groups.

It is among a series of measures under preparation for inclusion in an economic stimulus package later this month, to lean on companies to pass on the benefits of the yen's strength to consumers.

Finance ministry officials say they will soon publish monthly lists of average importers' cost prices of 20 basic goods, such as meat, fruit and whisky.

The aim is to shame distributors into dropping prices, when consumers learn of the huge profit margin usually added to imported goods during their journey through many layers of middlemen between warehouse and shop.

A box of imported US nappies, for example, bought in central Tokyo last week, cost Y2,000 (£12.26) while 200 grammes of Parmesan cheese could be had – on special offer – at a local supermarket for Y900 yesterday morning.

This could hasten the growth of discount stores, selling clothing, food and electrical goods, which have emerged in Tokyo in recent years. Welcomed by bargain-hunters, the new stores are even becoming fashionable.

Geography overwhelms history in search for the real Australia

Nikki Tait interviews Paul Keating, who meets Britain's Queen next week

THE last time Paul Keating met the Queen, there was a small furore when the Australian prime minister, only two months into the job, put his arm round the British monarch's waist. "Mocking Her Majesty," screamed one British tabloid. "Hands orf Cobber," yelled another.

So, sitting in the Canberra's modernist Parliament House, without a silver salver in sight, the Australian premier is trying to inject a little gravitas to their next meeting, at Balmoral in a week's time. Questions about his potential reception in Britain are parried with sober poise. Even mention of the tabloid press generates sarcasm, not the colourful epithets which Keating bandies so adroitly in local political brawls.

But if the Prime Minister's demeanour is muted, his message is not. Republicanism – that is, Australia's right to appoint its own head of state, rather than have the British monarch wished on it – has been Australian Labor party policy for a decade. Mr Keating has become its most forceful advocate.

"The republic is a constitutional, historical and political necessity for Australia," he declares. "Australia cannot represent itself to the world as a multicultural society, engage in Asia, make that link and make it persuasively, while, in some way, at least in constitutional terms, remaining a derivative society."

In the Keating school of argument, the need for constitutional change follows an economic drift. Today, Asia-Pacific accounts for more than 60 per cent of Australia's trade while half of new immigrants come from that region.

Twenty years ago, notes Mr Keating, Australia had a "White Australia" policy which mitigated against Asian migrants and was only abandoned by the government of Gough Whitlam in the early 1970s. "That's not a long time ago," he says. "In the event, we were very lucky not to be marginalised by Asia. "Countries in this part of the world have long memories, so there are reasonably hard assessments of Australia.

Economic expediency, however, is only one aspect of the Republicanism debate. Much more fundamental is Australia's search for a national identity. This is a complex issue for a country that has increasingly significant financial ties to its neighbours, a weight of cultural bonds with Europe, and must somehow also find a place for its Aboriginal population, whose rights have suddenly become big news.

This is largely because of a High Court ruling last year which found that a group of Aboriginal people were holders of native land title. The previous concept of "terra nullius" – that Australia was not occupied before European settlement – was quashed.

The Mabo ruling, named after Eddie Mabo, the leader of the Meriam people who began the High Court case in 1982, generated a frenzied backlash from other interested parties, notably mining companies, and has even pitted the federal government against some states.

A touch of fervour creeps into Mr Keating's voice when conversation turns to Mabo. "The stain of dispossession still affects our society and our relationship with the indigenes," he says. "Mabo is part of a broader agenda of reconciliation.

"The highest court in Australia has declared that Aboriginal custom and title is a source of Australian common law, and that native title exists in common law. But there is no body of administrative law to express that native title. What the government has been developing is a body of administrative law to hear, award and protect native title, and to see that the dual aims of justice for aboriginal and islander people, and the economic imperatives of the country go together."

Some of these matters, he is sure, will surface at Balmoral, although the Australian prime minister does not believe that he will either surprise the British monarch, or chill the atmosphere. "I think she will have read the things I've said in public to date...She has absorbed the cultures of umpteen prime ministers over the years. I'm sure she can cope with me adequately."

In truth, even if the atmosphere in Scotland did drop a few degrees, it would probably be a good deal warmer than the political climate back home. Less than six months after his unexpected election victory, Mr Keating is being jostled on all sides.

The new government's first budget, unveiled last month, has been stymied in parliment, and concessions wrung by both the opposition parties and the Labor party caucus. Uncertainty surrounding passage of this package has contributed to a plunge in the Australian dollar, now trading at seven year lows.

On the crucial issue of labour market reform, Mr Keating appears to have bowed to the powerful union lobby, and seems likely to temper government plans. Recent polls, meanwhile, have shown a significant drop in Mr Keating's personal approval rating.

All this has prompted some commentators to suggest that the Prime Minister – often seen as a distant figure, who ploughs his own furrow without excessive consultation – may have to adjust his approach. So what lessons has Mr Keating learnt from his rough ride during the past few weeks?

"Just that politics is rough riding," he retorts tartly, as the diplomatic demeanour eases briefly.

Keating at his last meeting with the Queen. A touch more gravitas is now on display

Inland Revenue says tax privacy will remain

By John Willman, Public Policy Editor

PLANS to contract out the operation of computers used for assessing income and corporation tax will not threaten the confidentiality of personal or commercially-sensitive information, the Inland Revenue said yesterday.

Information relating to the Queen and other members of the royal family is unlikely to be processed by outside contractors. The tax affairs of MPs, members of the security services and other politically sensitive individuals will continue to be handled by a special high-security wing of a Cardiff tax office.

Mr Steve Matheson, the Revenue's deputy chairman, described as "disinformation" reports that tax information would be less secure.

All information processing would be carried out in the UK under security requirements at least as strenuous as those now applying to the Inland Revenue, he said. The Revenue would monitor the contracts to ensure compliance with its requirements, with the right to carry out spot checks on the processing centres.

Two bidders – both US-owned – are left on the shortlist for the contract, which will be worth between £1bn and £2bn over 10 years. One is a consortium of International Business Machines UK and Computer Sciences Corporation, Europe. The other is EDS-Scicon.

The winning bidder will take over more than 2,000 Inland Revenue information technology staff. It will be responsible for managing the Revenue's computer systems, which include 13 data centres, three development centres and 50,000 terminals in tax offices. It will also modernise and upgrade the systems in partnership with the Revenue.

Civil servants will continue to be responsible for examining tax returns, assessing liabilities and making any judgments that are necessary. Individual tax returns and company files will not be handed over to the IT contractor.

The IT centres will process tax data keyed in by the civil servants and issue assessments, notices, tax demands and repayments.

Mr Matheson said that it would be impossible for employees of the contractor to access the data or copy documents printed out without leaving clear evidence of interference. The department already had complex procedures to stop staff looking at the files of taxpayers and companies to which they were not entitled to have access. The successful contractor would be required to have procedures at least as rigorous.

All three companies left in the bidding had excellent track records in handling confidential data, Mr Matheson said.

Canary Wharf wins £1.1bn rescue deal

By Vanessa Houlder, Property Correspondent

BANKERS TO Canary Wharf, the office project in London's Docklands that went into administration last year, yesterday announced details of a complex £1.1bn rescue package.

This is the first time that a company voluntary arrangement, by which companies are taken out of administration as a going concern, has been used for such a large company.

Mr Iain Cheyne of Lloyds Bank said: "In putting together a rescue package of this size, we are breaking new ground."

The secured lenders have agreed to restructure their existing debt of £568m, plus accruing interest over 14 years, deferring repayment of the loans until 2007.

In addition, the lenders are putting up new finance of up to £278m. This sum includes the initial £98m private-sector payment for the Jubilee Line extension, which will be provided by the European Investment Bank, which is owned by the European Community.

It also involves payment of £27m to the unsecured creditors under the company voluntary arrangement and £153m to support the long-term development of Canary Wharf.

A further £300m will be paid to London Regional Transport over 25 years for the completion of the Jubilee Line extension, which has a current value of £80m.

The consortium of lenders to Olympia & York Canary Wharf are Barclays, Canadian Imperial Bank of Commerce, Chemical Bank, Citibank, Commerzbank Aktiengesellschaft, Credit Lyonnais, Credit Suisse, Kansallis-Osake-Pankki, Lloyds Bank and Royal Bank of Canada.

The company voluntary arrangements for five main Canary Wharf companies involves paying the 1,400 unsecured creditors up to 15p in the pound. About 130 creditors will be required to give warranties and will receive a further 25p in the pound. The claims of unsecured creditors are expected to be £117m to £149m.

The proposed restructuring, refinancing and arrangements for the Jubilee Line extension contain complex conditions making the transactions dependent on each other, so no part of the proposals will go through unless they all do.

Mr Stephen Adamson of Ernst & Young, one of the administrators, said: "The package is interlocking so unless all the agreements fall into place, nothing will happen."

The costs of Canary Wharf's administration have been between £13m and £14m.

The administrators have called a meeting to vote on the company voluntary arrangements on September 30. The company is expected to come out of administration by October 31 if the arrangements are approved by more than 75 per cent of creditors by value.

Canary Wharf's corporate structure will be reorganised under a parent company controlled by the banks.

The rescue is announced yesterday at Canary Wharf by Nigel Hamilton, Stephen Adamson and Alan Bloom of Ernst & Young

Reuter

Customs climbs down on VAT plan

By Andrew Jack

HM CUSTOMS and Excise has backed down over proposals which would have prevented many holding companies from reclaiming value added tax.

The department had proposed in a consultation paper issued last October that holding companies owning operating subsidiaries would no longer be entitled to recover VAT incurred on "basic business activities" such as fees paid to professionals.

Customs yesterday abandoned this proposal saying that it now planned to make only minor changes to the existing system from October this year.

The reversal follows intensive lobbying from businesses and professional bodies.

The proposals were based on an interpretation of a ruling by the European Court of Justice on a holding company called Polysar. Initially due to be introduced in April, they were delayed until this October pending further consultation.

Objections included representations from a £125,000 lobbying campaign by accountants Coopers & Lybrand, paid for by 17 companies.

Customs stressed that there are still minor changes. Companies which are not active trading companies, not grouped with active trading subsidiaries or which do not provide genuine management services to trading subsidiaries will not be able to claim VAT refunds.

Customs said: "We are a fairly pragmatic department and don't want to put extra burdens on business."

Complex 16-month talks clock up over £14m fees

By Andrew Jack

THE 16 MONTHS of negotiations culminating in yesterday's restructuring proposals for Canary Wharf were among the most arduous and complex in any insolvency to date.

Officials from central government, local authorities, the London Docklands Development Corporation, London Regional Transport, the Docklands Light Railway and existing tenants were involved in discussions co-ordinated by Mr Nigel Hamilton, Mr Stephen Adamson and Mr Alan Bloom, the administrators from accountants Ernst & Young.

Mr Peter Totty, a partner at Allen & Overy who drafted the voluntary arrangement document circulated yesterday, said: "The only case we've ever had is that something is better than nothing."

He said several important decisions were resolved only in the last few days, including agreements by tenants not to sue and the agreement of Canadian administrators. "It's been quite a cliffhanger," he said.

The collapse of Olympia & York, the parent company, required negotiations to reconcile English insolvency law with the equivalents in Canada and the US, where the group had property developments.

Lawyers and accountants have clocked up thousands of hours during the process and are likely to receive more than £14m by the end of the process – regardless of the outcome.

"It has been a succession of meetings going on almost since day one," said Mr Hamilton. "The biggest difficulty was recognising the aspirations of each sub-group. We spent many long hours persuading, cajoling. We sat till 4am on more occasions than I care to think about."

Many of the most important negotiations took place between the dozen banks supporting Canary Wharf in New York, Toronto, London and Luxembourg. They came from different countries, with varying regulatory structures, tax demands and requirements for provisions on losses.

Their loan exposures varied widely and each had bilateral loans with Olympia & York, rather than a single syndicated loan which would have made co-ordination more simple.

Mr Iain Cheyne of Lloyds Bank co-ordinated the bankers. He likened discussions to pushing a jelly, and said he had held more than 40 meetings with London Transport alone.

The bankers did not have things all their own way. The government refused to allow them repayment of all the money they put up under the so-called "drop-dead agreement" if the Jubilee line was not completed on time.

Roxburghe bank drops fight for licence

By Andrew Jack

THE BANK of England has won its fight to revoke the licence of Roxburghe Bank, the Asian bank that went into administration in April.

The decision follows an appeal against the Bank's petition brought by the shareholders of Roxburghe, who initially demanded that the case be reviewed by the banking appeals tribunal.

After initial discussions they agreed in the last few weeks not to proceed with the appeal, the costs of which might have been charged to Roxburghe if they had lost.

The details are revealed in a letter to be sent to the bank's 1,300 creditors early next week by Mr Tony Lomas and Mr Colin Bird, the joint administrators from accountants Price Waterhouse.

Removing Roxburghe's authorisation to operate as a bank means that it has no prospect of emerging from administration procedure to trade as a bank in the future.

Mr J H Shah and Mr R H Shah, two directors, are believed to be considering continuing their fight against aspects of the Bank of England's petition.

The administrators estimate that Roxburghe has assets of about £34m and liabilities of £32m after provisions. Further provisions may give it negative net worth of up to £5m.

London Forum seeks backing

By John Willman, Public Policy Editor

LONDON FORUM, the private-sector initiative launched earlier in the year to promote London, will ask ministers next month to back efforts to promote inward investment into the capital with government funds.

A feasibility study on the potential for a "First-Stop Shop" has been carried out for the City Corporation – the local authority for the City of London, the capital's business district – by Jones Lang Wootton, the estate agents.

This found that other European cities such as Frankfurt and Paris have central organisations for promotion to inward investors, with budgets of several million pounds a year.

Representatives of London Forum will meet Sir George Young, inner cities minister, and Mr Tim Sainsbury, industry minister, to discuss funding a First-Stop Shop which would provide a showcase for inward investors thinking of locating in London. The shop would provide information about all aspects of London, including office accommodation, transport and living conditions.

The post of chief executive is likely to be advertised soon.

Later this month the Corporation of London and the London Docklands Development Corporation will join forces for the first time in an effort to attract inward investment from the Far East to London.

In the absence of a body to promote London abroad the two organisations have taken a stand at the Hong Kong World Property Market exhibition at the end of the month to set out the capital's attractions as a centre for business.

Other UK cities will be separately represented.

The City Corporation has promoted the First-Stop Shop concept with Westminster City Council and the LDDC, the quango responsible for the regeneration of a 22 sq km area of former docklands in East London.

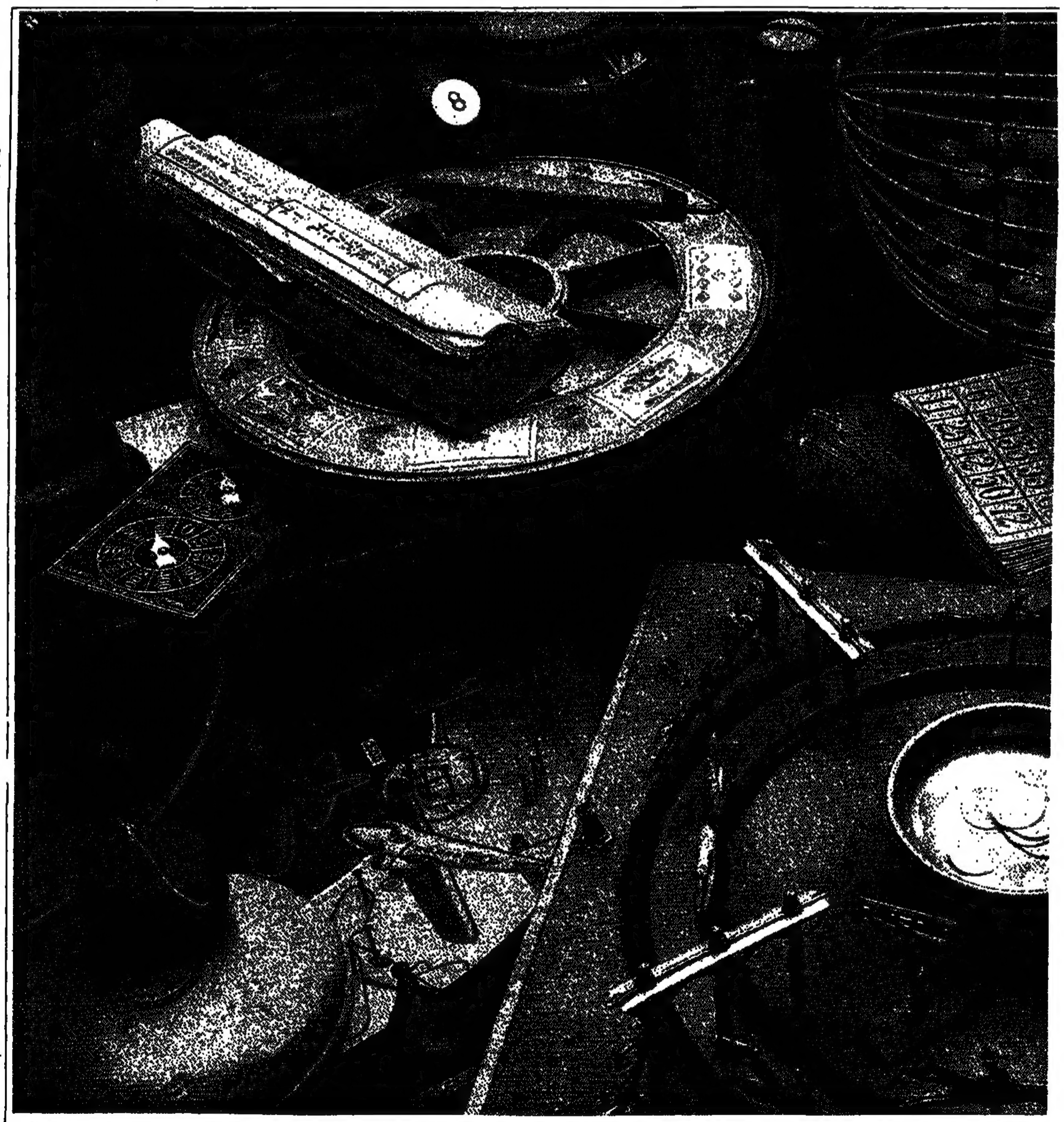
There is a reservoir of unlet commercial property in the capital. The City has 7m sq ft of empty office space, including £30m of properties owned by the corporation which are on its sales list. There is 4.9m sq ft to let in Docklands, including much of Canary Wharf, the prestige office development which is in administration under insolvency procedures.

An early success in selling London abroad has come with the decision of the Polish trade mission to locate its west European office in the City.

Mr Michael Cassidy, chairman of the corporation's policy and resources committee, said that he hoped other eastern bloc trade missions would follow suit.

The Polish decision had been taken against competition from other European cities, in particular Frankfurt.

Mr Cassidy said that while the terms had been keen, they were no different from those applying to other commercial lettings.



● Imports fall sharply ● Machine-tool sales down in Europe ● More boats sold to Germany ● Meat margins eroded

Competitiveness helps to narrow trade gap

By Emma Tucker, Economics Staff

THE IMPROVED competitiveness of UK goods, following the devaluation of sterling a year ago, helped narrow the trade gap in the second quarter.

World trade figures show that in the three months to June the UK imported £3.3bn more than it exported, a slightly narrower deficit than in the previous quarter when the gap was £3.5bn, revised from £4.5bn.

Although the quarterly deficit remains high, the latest figures contain encouraging trends. Measured *by volume, imports have fallen* sharply since the start of the year, while export volumes remained about flat.

This raises the possibility that the UK is substituting goods made domestically for foreign imports. It also reflects the continued weakness of domestic demand which has limited import penetration.

The news is encouraging because it suggests the economic recovery will be able to progress without a sharp deterioration in the balance of payments.

The volume of total imports excluding oil and erratic items – defined as ships, aircraft, precious stones and silver – *fell* by 3 per *cent in the* latest quarter, compared with a 5 per cent fall in the first quarter.

On the same basis, exports rose by 1 per cent in the second quarter, following a 3 per cent decline in the first.

The Central Statistical Office *has* yet to provide a breakdown of imports and exports by commodity, so it is not clear where import substitution is taking place.

While the figures are encouraging, the improvement in UK trade has *been confined to countries outside* the European Community, which account for less than half of total UK trade.

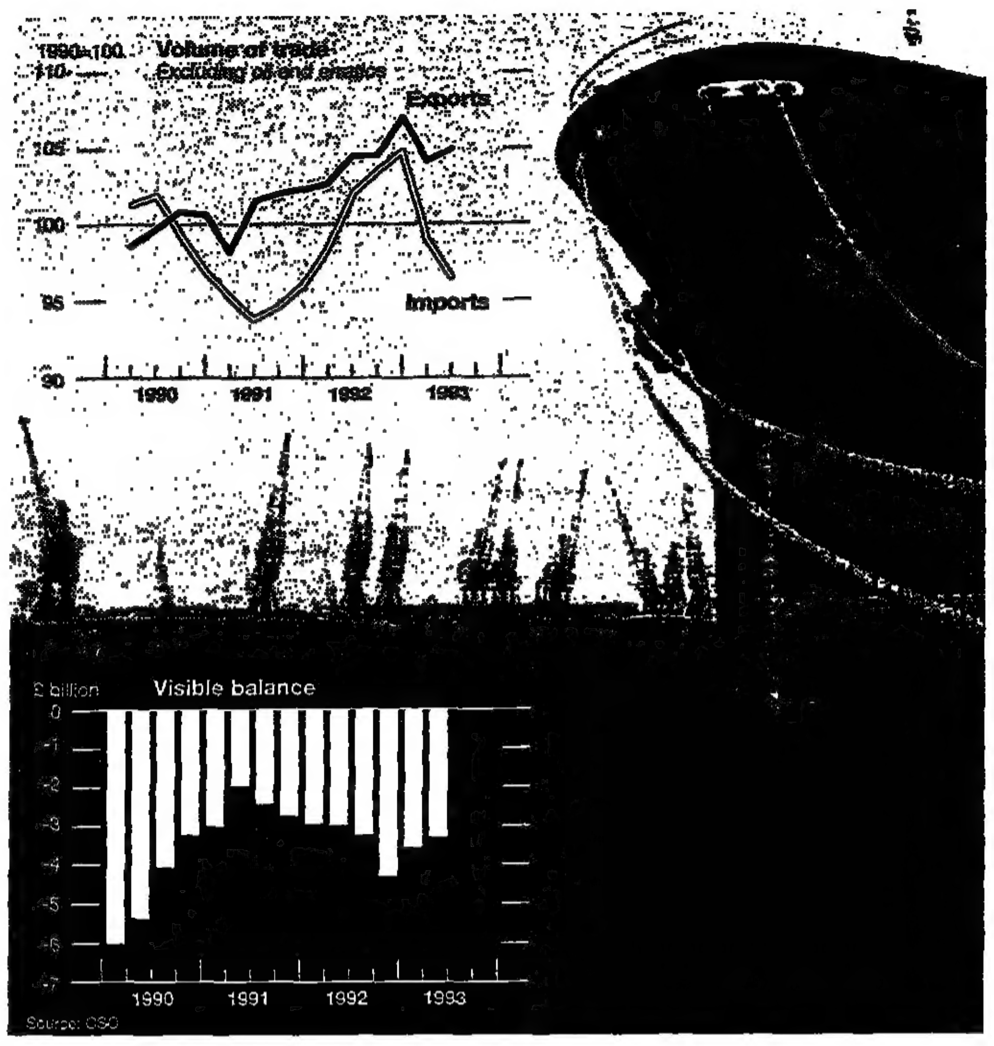
The visible trade deficit with the EC doubled from £400m in the first three months of the year to £800m in *the second quarter, reflecting* the economic sluggishness afflicting the UK's European trading partners.

By contrast, the deficit with non-EC countries narrowed. It was £2.36bn in the second quarter compared with £3.1bn in the first.

The figures showed a sharp fall in the terms of trade in the second quarter, resulting from a 2.5 per cent fall in export prices and a 0.5 per cent increase in import prices. *Non-*oil export prices were 7.25 per cent higher compared with a year ago, while comparable import prices rose by 13.25 per cent.

The CSO warned that the introduction of a new method of data *collection for intra-EC* trade meant that the latest figures were more than usually liable to revision.

The latest figures refer only to visible, or merchandise, trade. Estimates for invisible trade flows – services, government transfer payments *and* earnings on overseas investments – appear later this month.



VALUE OF TRADE

Balance of payments basis excluding oil and erratics (£m seasonally adjusted)

	Exports	Imports	Balance	Exports	Imports	Balance
1990	101,718	120,527	-18,809	86,067	108,224	-21,157
1991	*103,413*	*113,697*	*-10,284*	*89,003*	*102,573*	*-13,570*
1992 Q1	26,121	29,031	-2,910	22,870	26,418	-3,548
Q2	26,737	29,704	-2,967	23,269	26,940	-3,671
Q3	26,493	29,716	-3,223	23,156	27,158	-4,002
Q4	27,696	32,002	-4,306	*24,484*	*29,327*	-4,843
1993 Q1	29,600	33,100	-3,500	25,800	29,700	-3,900
Q2	29,100	32,400	-3,300	25,400	29,200	-3,800

Source: Central Statistical Office

Colchester Lathe hopes for German recovery

By Andrew Baxter

FOUR YEARS ago Colchester Lathe unveiled a range of products at EMO, the world's largest machine tool show, and sold 500 machines straight off the stand. "*It* was the best show we have ever had," recalled Mr Tony Sweeten.

Next week, as the 1993 show opens in a very different business climate, there will be more new products on the Colchester stand at Hanover. But it would be a miracle if anything like that number were sold.

Colchester lathes and those of its sister company T.S.Harrison are made by 600 Lathes, *flagship of the 600 Group's* machine tool division, of which Mr Sweeten is managing director.

Over the last 18 months, he said, 600 Lathes' sales in continental Europe have fallen by 50 per cent. "Germany is the industrial powerhouse of Europe and the recession there affects everywhere else," he said.

But Mr Sweeten is not downhearted: "We've given a rea*sonable account of ourselves in* a lousy market," he said. "We've held our market shares, and even raised them in some cases."

Continental Europe accounts for 30 per cent to 40 per cent of the group's lathe sales, and has long been an important market for Harrison and Colchester.

They both produce mainly "centre lathes" – manual machines to make turned parts that are stalwarts of machines shops and toolrooms.

Mr Sweeten said Harrison has been making metric machines for the European market since 1972. The more up-market Colchester has been particularly successful in Germany, helped by good market*ing and a high-tech product.*

Mr Sweeten said the German market first started to decline 18 months ago, and went into a steep fall a year ago – just when the devaluation of sterling against the D-Mark was *transforming the terms of* trade for UK exporters to Germany, at least in theory.

The sharp decline in Germany in the last three months of 1992 reflected a crisis of confidence throughout German *industry. Many customers* slashed *capital spending and* simply stopped buying machine tools.

Sales in Germany had continued to fall, Mr Sweeten said. He expects the decline will continue until the end of the year. *Germany, Europe's largest* machine tool market, accounts for about half of 600 Lathes' European exports.

But its machine tool market is running at less than 50 per cent of its levels 18 months *ago. The decline in German* sales has more than offset the benefits of devaluation.

It is not all gloom, however. German competitors had higher costs and found it harder to cut them, Mr *Sweeten said. In contrast*, the 600 Group moved quickly in 1991 to concentrate all its lathe manufacturing at one plant in West Yorkshire. And for the business that remained in Germany, the UK group could *offer better technology than its* competitors for the same, or a lower, price.

So Mr Sweeten believes the lathe business will have improved its competitive position when the continent *emerges from recession.*

Fairline seeks boat show clue to health of economy

By Michael Skapinker, Leisure Industries Correspondent

THE LEVEL of inquiries this weekend at the Southampton International Boat Show should provide Fairline, one of the UK's leading boat manufacturers, with some idea of whether for it the recession is over.

The week-long show attracts some foreign buyers but is *mainly for UK enthusiasts*. It is the German shows – starting with Friedrichshafen in three weeks before moving on to Hamburg, Berlin and Düsseldorf – which the company will watch with greatest interest.

In 1989 Fairline exported 40 per cent of its output. Today, said Mrs Briony Newington, the marketing director, the figure is more than 80 per cent. The company, based in Oundle near Peterborough, makes about 300 power boats a year, compared with 500 in the late 1980s. But the boats it makes now tend to be larger and more expensive, selling for about £750,000. After recording a loss *of £507,000 last year the company* expects to be profitable this year.

When the UK started to go into recession Fairline looked to the Continent for salvation. Germany has held up well, in spite of its economic downturn. The company has increased its market share in Spain, although *selling pleasure boats* there has become more difficult. France is experiencing more difficult conditions. Sales to Germany have climbed from 25 per cent to 40 per cent of turnover in the past few years.

Fairline's sales received a boost from last year's sterling devaluation and the German *downturn does not appear to* have affected orders.

"When they talk recession in Germany it's not the same as when they talk recession in the UK," said Mrs Newington. "However difficult things are, there's still a lot of money in Germany."

France, she said, appeared to be experiencing a UK-style downturn. "They seem to be in the position we were in a year ago. Our French market is not looking very healthy."

Mrs Newington said, however, that she has found Fairline's Continental distributors reasonably optimistic in recent weeks. She hoped this week's interest rate cuts would keep orders buoyant.

UK boat builders were in a strong position to turn their attention to exports, she said. They were larger than their Continental rivals and could manufacture more efficiently.

Fairline is the UK's second biggest boat builder with Sunseeker, one of its rivals, while the largest is Marine Projects. The three companies are the largest in Europe. Mrs Newington said that UK boats had always been admired for their mechanical excellence. The big improvement in recent years had been in their design.

With Europe in difficulties, the company is looking to the Far East to keep its business growing.

New marinas are being built in Singapore, Malaysia and Thailand, which should boost demand. Japan, seen as a growth market two or three years ago, has proved a disappointment because a planned marina-building programme has fallen behind schedule.

Downturn in Europe bites meat exporters

By Deborah Hargreaves

WORRIES over Mr David Maunder's meat business disturb his sleep. After recently investing millions of pounds to bring his abattoir up to EC *standards, he now* faces gross over-capacity in the UK market for the lamb he sells and declining export sales as Europe pitches into recession.

"I am faced with it the whole of my waking life and it wakes me up in the *night too," says* Mr Maunder, director of Lloyd Maunder, one of the UK's larger exporters of lamb carcasses.

Mr Maunder says that after enjoying a boost from the *devaluation of sterling last* September his export business has seen a downturn since the beginning of the year.

"Margins have been eroded because of competition in France and Germany, and the Spanish market is not looking as good as last year – all of these markets are being *squeezed by recessionary pressures."*

The Spanish market for UK lamb represents a niche that some companies such as Mr Maunder's have established over the past eight years. *Spanish buyers want lighter lamb* carcasses than are sold in the UK from August to January when domestic supplies are low.

But sales to Spain over the past month have been running *a third lower than last year* as the recession bites. The company is also facing increased competition from newcomers to the export market which are turning to Spain and undercutting prices as competition within the UK intensifies.

Competition in the French market, particularly from Irish *producers, has cut margins to* a level that is making it harder to cover overheads. "If margins continue to be eroded like this, it will be extremely hard for us to make a profit this year," says Mr Maunder.

Two more gas-fired stations go ahead

MR TIM Eggar, energy minister, yesterday gave the go-ahead for two more gas-fired power stations, David *Lascelles writes.*

They are a 1,200MW combined cycle gas turbine plant at Seabank, Avon, and a similar 710MW station at Keadby on Humberside.

The Seabank station is being built by Midlands Electricity and British Gas, and Keadby by Hydro-Electric and Northern Electric.

The gas-fired power station at Seabank on the Severn estuary is expected to cost £580m and will be owned and operated by Seabank Power, a joint venture between British Gas and Midlands Electricity.

The stations are the latest in the controversial "dash for gas" which has been blamed for causing the contraction of the coal industry.

Building activity still depressed

CONSTRUCTION activity remains depressed in spite of renewed *optimism this autumn* in the housing market, the Department of the Environment said yesterday.

Provisional data shows that *total construction industry out*put was £8.62bn in the second quarter of the year, down 3 per cent on the second quarter of 1992.

Employment in the industry was 4 per cent lower in July, compared with April.

The figures are the first of a revised series intended to give a more reliable indication of activity in the industry.

Labour attacks Clarke initiative

LABOUR yesterday called for more determined efforts by the government to ensure that private capital plays a part in the funding of public-sector projects.

Mr Alistair Darling, City *affairs spokesman, said most of* the 78 schemes identified by Mr Kenneth Clarke, the chancellor, on Thursday had either been announced already or were no more than "a glint in the planner's eyes".

Airports report passenger boost

PASSENGER traffic at BAA airports rose 4.7 per cent last month compared with August last year, confirming the recovery in UK air travel.

BAA's *airports handled* 8.6m passengers last month with Stansted showing the fastest growth with an increase of 18 per cent. Traffic at Heathrow, BAA's biggest airport, rose 6.1 per cent while Gatwick saw a slight decrease of 0.2 per cent.

Chief 'stole £2m from pension fund'

DR GERALD Smith, chief executive of Farr group, a building group, stole £2m from its pension fund to pay company debts, Southwark Crown Court heard yesterday.

Dr Smith forged an authority to liquidate assets of the Farr Group pension fund in January 1990, the court heard. The group collapsed in December 1990 with debts *of more than* £30m.

Dr Smith denies seven charges of theft and one of forgery. The trial continues on Monday.

Security post

COMMANDER George Ness, head of Scotland Yard's Flying Squad and tactical firearms unit, is to retire from the force next week and take up a new post with Securicor, the security group.

Mercedes triggers regional rivalry

By Chris Tighe and Tim Burt

MERCEDES-BENZ this week asked the Department of Trade and Industry for details of UK sites of about 250 to 300 acres which would be suitable for consideration for their pro*posed new assembly plant.*

The DTI contacted UK inward investment agencies asking for site details. Among those approached was the Northern Development Company, covering north-east *England and Cumbria, which* has sent the DTI site details.

However, attention also focused yesterday on the West Midlands, where component suppliers GKN, T&N and Triplex Lloyd already manufacture parts for Mercedes.

Industry analysts said the proximity of component suppliers will play a leading role in *the decision over where to site* a plant.

The Black Country Development Corporation, which covers the region where many component manufacturers are based, said the "just in time" production system of companies such as Mercedes meant new plants had to be close to parts suppliers.

"The *West Midlands* would be an obvious choice because of the car component manufacturing and infrastructure already here," the development corporation said yesterday.

The decision by Toyota, the Japanese manufacturer, to open its main European plant at Burnaston, Derbyshire, could also influence Mercedes, *according to local development* officials.

The Northern Development Corporation, aware of the potential competition, is trying to take matters beyond the DTI inquiry about possible sites.

"We're looking at getting right around the inside of the track, and getting to them directly," said chief executive Mr John Bridge yesterday.

The NDC happens to be holding a seminar for the German *automotive industry* at the Frankfurt Motor Show on Tuesday. "That will be a lovely little stall to set out what we're doing," said Mr Bridge. He is hopeful Mercedes-Benz will be attending.

*The NDC believes the suc*cess of Nissan's £900m Sunderland plant, which has attracted automotive suppliers to the area, is a valuable plus in wooing Mercedes-Benz.

"I'd argue that the north of England has got the most successful automotive and component activity in the UK, on the basis of growth and output *through the Nissan plant and* the quality of the supply chain," said Mr Bridge. "That success derives largely from its newness. It doesn't have the problems inherent in other parts of the country."

He did not think the presence of a large carmaker like Nissan, now employing 4,600 people at Sunderland, could act as a *disincentive by arousing* fears suitable labour might have been already mopped up.

Nissan said: "Our investment in the north-east has proved very, very successful in establishing the most productive car plant in Europe and one capable of producing cars to Japanese quality standards."

Mercedes-Benz's project *could qualify for substantial* grants and subsidies depending on the site chosen, even though automatic grants under regional policy were ended in the mid-1980s.

Motions for Tory conference reveal discontent

By Alison Smith

DISCONTENT AMONG Tory grassroots activists at the government's policies on value added tax, defence cuts and law and order has been pressed home to the party leadership in the motions presented for the annual conference.

The 1,200 motions submitted by constituency parties, published yesterday, reveal deep concern about the impact of the Budget decision to impose VAT on domestic fuel.

Almost 150 of the motions concern the economy, and one in five of these either calls for *the reversal of the VAT exten*sion or expresses reservations about it, for example by making it clear that pensioners must be properly compensated for the increase in fuel bills.

The motion from Wirral West – the constituency of Mr David Hunt, employment secretary – was among the most outspoken, saying that the *move was "totally incompati*ble" with the principles of fairness laid out in the citizen's charter.

Sir Norman Fowler, party chairman, appeared to draw comfort from the fact that many of the motions on the economy called for action to be taken to reduce the public sector borrowing requirement.

But the range of opinion expressed, from calls for an increase in income tax to vigorous opposition of such a move, is a further reminder that there remains a deep rift in the party over how to tackle government borrowing.

There is a striking degree of consensus, however, among the motions on defence, almost *all of which demand a reversal* of the reductions in defence spending or a halt to further cuts.

There was a call for caution over the impact of cutting the armed services, including one *from the Edinburgh Pentlands* constituency of Mr Malcolm *Rifkind, defence secretary.* Though more coded in its terms than others, it urges that any restructuring of the services should allow them to meet current and possible future commitments.

The largest number of motions on a single topic is the 244 on law and order, which the government has already said will be one of its main themes in the coming months.

While several motions con*tain the customary criticisms* of the party organisation and the government's ability to present its policies attractively, the party leadership may be cheered by the strong calls in others for the party – specifically its MPs – *to unite.*

Only about a dozen, uncontroversial motions will be selected for debate at the conference in early October.

THE UK and Irish governments yesterday reaffirmed their commitment to resuming inter-party dialogue on the future of Northern Ireland, Alison Smith writes.

A joint statement after a three-hour meeting of the Anglo-Irish intergovernmental conference in London said that the two administrations "underlined the urgency and importance of the search for political agreement".

***Sir Patrick Mayhew, the* Northern Ireland secretary, admitted that there had been little progress in breaking the stalemate that ended the talks late last year, but insisted there were grounds for encouragement in contacts that had been maintained with political parties in Northern Ireland over the past few months.**

***Mr Dick Spring, Irish for*eign minister, emphasised that both governments saw the *resumption of talks as the pri*ority, refusing to be drawn on Irish interest in the possible appointment of a US "peace envoy" in Belfast.**

Mr Michael Ancram, a Northern Ireland minister, *said that all sides agreed that* a political settlement had to be reached. He will be pursuing private discussions with the Northern Ireland parties to try to find a way forward for the talks.

Monks the modernist struggles for new horizons

By Robert Taylor, Labour Correspondent

MR JOHN MONKS can have no illusions about the magnitude of his task to regenerate British trade unionism after more than a decade of decline. *His first testing week com*pelled him to address two audiences.

On Wednesday in his inaugural speech as *TUC general sec*retary he made a calm and reasoned appeal to the world beyond the conference hall.

Here he appeared as the moderniser and competent manager, keen to show by his *common sense* and efficiency that the TUC still has an important role to play.

Ready to adapt to change, he assured his audience that his personal ambition was to lead "a united TUC into the 21st century, spanning new horizons yet committed still to the enduring values of solidarity, unity and justice".

His speech may have lacked punch in its delivery but its content suggested that Mr *Monks may turn out to be the* most far-sighted reformer the TUC has seen since the era of George Woodcock more than 30 years ago.

But then on Thursday we saw a different Mr Monks in action. In a debate looking back to the past union leaders turned congress into, in Mr Monk's words, "a bear hall" as they tore each other to bits over the return of the maverick electricians to the "TUC family". The strength of feeling the prospect aroused took many by surprise.

The Berlin Wall may have fallen, Soviet communism is dead, but the TUC is still convulsed by what the electricians' union did at Rupert Murdoch's Wapping printing plant more than seven years ago.

The hard left was displeased *by Mr Monks' reaction to this* particular inter-union war.

"It is a disastrous start," said the Communist Trade Unionists broadsheet yesterday. "His first task under fire found him deploying the tactic of last resort. By making support for the general council retreat an issue of personal confidence he devalued his office."

In fact, the new TUC general secretary showed a steely courage under pressure that we have not seen in congress for a long time. His unprepared response was coherent and devastating. But then for more than 20 years he has been mediating between the warring factions behind the scenes at *TUC headquarters.*

In the past few weeks Mr Monks has had to devote hours of his time to smooth the return of the electricians as the issue threatened to cloud his own election. He may have failed to achieve a final settlement but he did enough to show he has no intention of dodging hard questions.

The danger is *that Mr Monks* will find himself too often having to turn inwards to prevent further outbursts of inter-*union rivalry.*

Thursday's debate suggests that too many union leaders want to settle old scores and ignore what is going on in the world beyond their own *shrinking memberships.*

The row over the electricians was the only issue in the week at congress to clear the bars and fill the hall with fury. More important debates – on the future of labour law and how unions should respond to their decreasing memberships – provoked little of interest. Few delegates showed much interest in new ideas. *Human* resource management was denounced. Performance-related pay found no friends.

It was the marginalised mineworkers' union president Arthur Scargill who stirred the emotions of congress with his advocacy of struggle.

But Mr Monks knows well enough that if he is forced to devote his skills and energy in trying to prevent further civil wars between the unions, he will fail as a moderniser. "If we allow ourselves to be riven by union rivalry there is little we can achieve," *he warned.*

In November the TUC general council meets for a two-day conference to reassess the *future* of trade unionism. This will be followed by what Mr Monks calls a "relaunch" of the TUC.

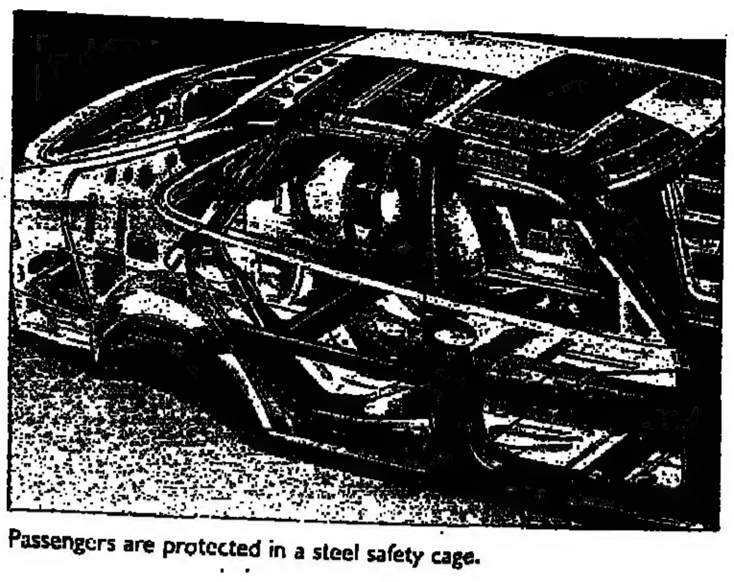
As delegates left Brighton yesterday, however, it was unclear whether the competent and highly intelligent new general secretary will be able to present an acceptable face of British trade unionism to a world where *two in every three* workers is no longer organised.

● Mr Jimmy Knapp, 52-year-old general secretary of transport union RMT, was elected yesterday TUC president for the next twelve months.

Two more gas-fired stations go ahead

Building activity still depressed

horizons



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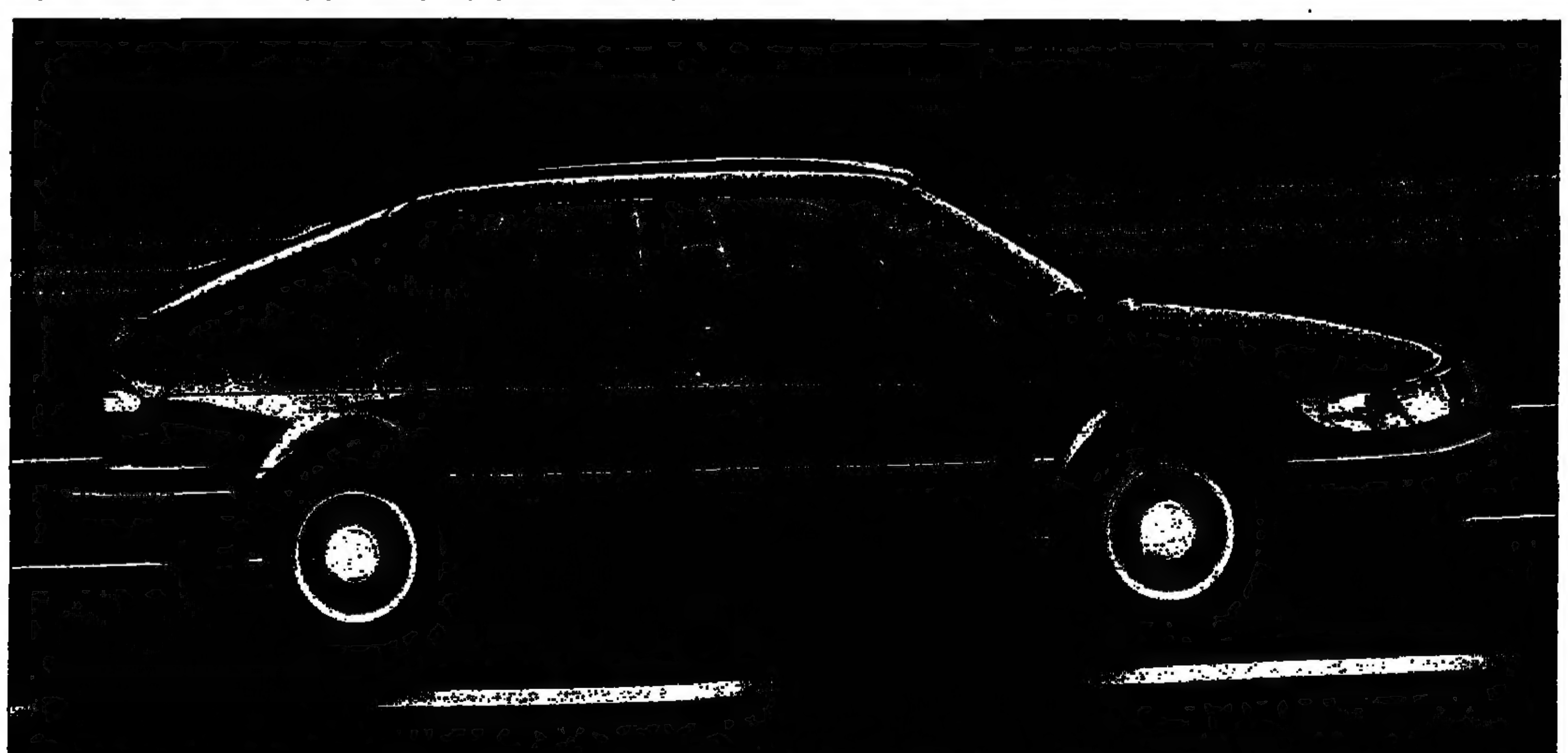

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Saturday September 11 1993

Reality dawns in Palestine

OUTSIDERS HAVE been urging Israel and the Palestine Liberation Organisation to recognise each other and allow the establishment of an autonomous Palestinian entity alongside the Jewish state for so long that the reaction to news they have done so can only be immense relief. The question is whether the Israel-PLO recognition deal finalised yesterday and the self-rule agreement to be signed on Monday have come in time to pave the way for a comprehensive peace, or whether they are too late to do more than demonstrate how intractable the Middle East conflict has become.

For more than a century, competition between Arab and Jew for the land of Palestine has poisoned the politics of the region. With the establishment of Israel and dispossession of many of Palestine's Arab inhabitants in 1948, followed by Israel's conquest of the West Bank from Jordan and the Gaza Strip from Egypt in 1967, the competition took on the air of a zero sum game in which each side could only assert its own right to exist at the expense of the other's.

Short of a territorial and national compromise, or of a war in which the Arabs prevailed, the conflict could only end in the expulsion of all Palestine's remaining Arab inhabitants. Given that these include a significant number of Israeli citizens, the result would have been to destroy the legitimacy of Israel itself.

Enormous credit

To his enormous credit, Mr Yitzhak Rabin, Israel's prime minister, has decided to set aside his domestic opponents' territorial ideology, confront his countrymen's fears and accept these realities. The deals he has concluded with the PLO's Mr Yassir Arafat – the latter admittedly negotiating from extreme weakness – should enable most Palestinians in the territories to rule their own affairs and improve their economic conditions while preserving Israel's essential security requirements. It outlines the only conceivable settlement to the core issue of a conflict that has in the past led the world to the brink of thermonuclear war and, unresolved, could do so again.

That, in essence, is why the west and the other regional powers have a vital interest in helping make this agreement work. It is easy to think of ways in which it might not. Many details of the self-rule accord have still to be negotiated, including highly sensitive questions concerning the relationship between Israeli security forces defending Jewish settlers in the territories and a yet-to-be-formed Palestinian police force. The PLO could split, thus eroding its leader's already shaky authority. The Palestinians themselves could descend into internecine strife, eventually prompting the return of the occupiers to areas from which they have withdrawn. Mr Arafat, used to strutting the international diplomatic stage and manoeuvring through the minefields of Arab politics, may prove incompetent in the more mundane tasks of municipal administration and undemocratic in his approach to a people that has never directly elected him to any office.

Grassroots frictions

Beyond the sensitivity with which the two sides handle the inevitable grassroots frictions, much will depend on the policies adopted by the new Palestinian authority, and on the Israeli government's response. Separation between the Palestinian entity and the Jewish state can only be a gradual and partial affair; tens of thousands of Palestinians will continue to work in Israel; and it is vital to the viability of the Palestinian proto-state that it obtain the freest of trading arrangements with both Israel and Jordan.

Given those essential prerequisites, aid money from the west and from the wealthy Gulf states will be well spent in seeking to effect a rapid improvement in the Palestinian economy, underpinned by a well-focused programme of public works – preferably under the auspices of the World Bank. Without such an improvement in infrastructure and living conditions, accompanied within months by democratic elections, paper commitments by Israel and the PLO will be worthless, hoped-for investments by talented Palestinian businessmen will fail to materialise, and militancy of all kinds, including the Islamic variety, will proliferate. From now on, the choices do not get any easier. But at least they are concerned with concrete realities rather than conflicting aspirations.

Hedging his fiscal bets

THE DEBATE over the contents of the forthcoming November Budget will, it seems, be an open and shut affair. Open, in the sense that the war of words over taxing and spending is now seriously under way between embattled factions within the Conservative party; closed, in that Mr Kenneth Clarke has issued a characteristically blunt reminder that he is in charge and that there is no question of him signing away in advance his right to increase taxes, whatever the Tory right might care to hope.

Many of the right-wing persuasion appear anyway to be in a state of intellectual confusion. Some claim to believe that theirs is the party of low taxation and that an outsize public sector borrowing requirement will disappear with economic recovery. This would serve remarkably well as the working definition of a party of unsound finance. And, indeed, it could readily be argued that this is precisely what the Tory party has been for the past 14 years. The figures in the last Budget Red Book show that only now, after a soaraway decade in the 1980s, are total taxes coming back down, as a percentage of GDP, to the level inherited from Labour in 1979.

Fiscal softy

As for spending, the present economic recovery has been pump primed by a substantial fiscal boost in which spending departments have been held on a much looser rein than they had earlier dared hope. Meantime a former special adviser to ex-chancellor Norman Lamont has been complaining bitterly this week that the Tories are now the party of high spending and that Mr Michael Portillo, the Treasury minister who threatens swingeing cuts, is talking through his hat. This view derives further support from Mr Clarke's own statements, on becoming chancellor, that it was politically unrealistic to expect to make real cuts in public expenditure. A self-styled man of the hard centre, he threatens on this score to become a fiscal softy in the departmental lion's den.

That said, he has yet to reveal his hand on anything substantive. And what, one wonders, could any chancellor be expected to do other than to keep his options open in present circumstances. In the short run, Mr Clarke has been the beneficiary of a bigger than expected rise in output thanks largely to a return of consumer confidence. Inflation figures continue to undershoot mainstream forecasts and unemployment has fallen surprisingly early in the recovery. Yet the very fact that the economy continues to surprise the analysts underlines the Treasury's diagnostic problems.

Savings rate

Savings behaviour, which is the key to a significant part of the recovery to date, is particularly hard to pin down. After a big surge, which provided the main impetus to recession, the rate of household saving started to fall again last year. But with the personal sector still heavily indebted after the housing boom of the late 1980s, no one can predict how far and fast the rate will now come down; nor, again, whether the confidence boost from falling unemployment off-sets the restraining influence of housing market debt.

In the meantime there are difficult questions about the external account, which are exacerbated by the interruption in the official trade data. Sterling devaluation has enhanced competitiveness; and productivity growth, which is traditionally rapid in the early stages of recovery, is now working further magic on unit labour costs. But some of the shine comes off gains in competitiveness when Britain's main trading partners in continental Europe appear bent on putting off recovery – witness the reluctance of the French to cut their intervention rate after the Bundesbank's interest rate cuts on Thursday.

Sheer ignorance of how the economy works, together with the fallibility of the Treasury's own past forecasts, provides a compelling reason for delaying the decision on taxation. And even if the data were reliable that judgment would be horrifically difficult, since Mr Clarke has to steer a course between a rate of growth that is neither so slow that the public finances remain under pressure, nor so fast that the trade account collapses further. Much easier, in fact, to run the economy from the backbenches. The Tory right should count its blessings.

Britain may be turning into a bargain basement but consumers want quality and convenience, says **Neil Buckley**

Cheap thrills are not enough

On Monday, it was newspapers, as The Times reduced its price from 45p to 30p. On Tuesday, it was credit cards, as Save & Prosper launched a Visa card with an interest rate 7 percentage points lower than most of its rivals. On the same day, Mercury offered free evening and weekend calls in London on its new mobile phone network.

Before that, there was the holiday price war, the lager price war, and last year the DIY price war. Britain, it seems, has become a bargain basement.

Consumers already used to hearing that the UK is emerging from recession may wonder why there should be so much price-cutting activity now. Are businesses positioning themselves to increase market share as the recovery gathers strength? Or do cuts reflect the continuing squeeze on profitability? Will consumers, who rebounded quickly from the 1980s recession, emerge more cautiously from the 1990s slowdown, forcing manufacturers and retailers to compete fiercely on price for the rest of the decade?

The picture is mixed, and companies are introducing cuts from a variety of motives. An important priority for some is to defend market share in the face of a rush of competition. The UK's largest superstore chains, for example, are being confronted by rapidly expanding discount stores, which sell a limited range of goods at very low prices in no-frills surroundings.

The big chains are responding by localised price-cutting, and introducing new, lower-price products. Usually these are so-called "tertiary brands", cheaper and lesser-known alternatives to big-name and stores' own brands. The chains are also making increasing use of "multi-buy" promotions, such as three for the price of two.

A recent price survey by Verdict, the retail market research group, found that for a basket of 40 common groceries, taking the cheapest item, in each case, the price had fallen by 8 per cent across 12 national grocery chains since last September. The price gap between superstores and discounters had closed to 6 per cent from 12 per cent.

Increasing sales of retailers' own-label and other cheaper brands has put pressure on many well-known manufacturers' brands, which normally sell for substantial premiums. On April 2, Philip Morris slashed the US price of its cigarettes to defend the falling market share of its premium Marlboro brand. Other US brand leaders, including Procter & Gamble, Kraft and Quaker Oats, have had to cut prices or at least shelve planned increases.

Although no UK branded producer has been obliged to cut prices as deeply as Marlboro, prices have recently come under attack in a different way – from imports.

Tesco obtained supplies of Stella Artois, the Belgian premium lager, through its French subsidiary Catteau instead of through Whitbread, which brews the lager under licence in the UK, and which has established it as a premium brand by marketing it as "reassuringly expensive". This allowed Tesco to sell the lager 25 per cent more cheaply than when it was sourced from the UK.

Whitbread has since agreed to supply Stella to Tesco in continental-style packaging, although at the same price as before.

Observers, however, believe Whitbread, as well as Courage, which brews Holsten under licence, and Scottish & Newcastle, licensee for Becks, may be forced to cut prices as Tesco and J Sainsbury plan further promotions of imported continental lagers.

Many consumers are voting with their feet and shopping for beer and wines in continental Europe, where prices are lower since import restrictions have been relaxed.

So, while some companies have been forced to cut prices to compete, others have chosen to do so to try to win market share, or to establish themselves in a new market.

The price cuts by The Times this week and by The Sun in July were both gambles designed to arrest declining circulations and increase market share. The Sun is said to have increased its circulation by about 300,000 as a result – but most observers believe this is not enough to cover the lost revenue.

The reduction at The Times, considered by many a premium product, was more controversial. Initial reports are that it has boosted circulation by more than 30 per cent, taking it above 400,000, but some industry commentators fear it has damaged its image. The publicity surrounding both price cuts, however, seems to have stimulated the market, with competitors also showing increased sales.

The move this week by Save & Prosper, which announced a steep drop in the rate of interest on a new Visa credit card, was a similar attempt to win market share – but by a minnow rather than a big fish.

S&P has 100,000 cards in issue against Barclay's 8.8m and National Westminster bank's 4m and does not disguise its motive of gaining a larger share of the market by doubling the number of its cardholders. "We think competition for lending will increase and thought it better to move in early," said S&P.

New entrants to markets will often undercut their competitors to establish themselves. Mercury, which launched its One-2-One mobile phone service in the London area this week, did that. One-2-One is offering free local calls to customers in the evenings and at weekends, in a bid to open the consumer market to mobile phones for the first time.

Price-cutting campaigns, where several companies compete, can "kickstart" a slow market. The recent holiday price war is a good example.

Thomas Cook's 10 per cent price cut last month was matched by competitors such as Lunn Poly, Pickfords Travel and Hogg Robinson. The chains say the discounts have given them their best start to summer bookings ever. Lunn Poly says it has sold more than 300,000 summer 1994 holidays so far, 150 per cent more than at the same time last year.

But the low-margin structure of the industry means a 10 per cent cut across the board is unsustainable in the long term (it represents most of the commission that travel agents receive from tour operators) and the promotions end today.

While sporadic discounting to protect or enhance market share has been common during the recession, there is a growing view that retailers, in particular, will have to become increasingly price-orientated during the 1990s.

Sir Geoffrey Mulcahy, chairman of the Kingfisher group, has warned that consumers are demanding more convenience, wider ranges and improved service – all at lower prices. The result is that profit margins will fall.

Successful companies must get into the "virtuous circle" of cutting gross margins and prices, thus increasing volumes and market share, and then using higher profits to drive down prices still further.

Sir Geoffrey is trying to steer the Kingfisher group in this direction. B&Q, Kingfisher's DIY chain, has moved away from sporadic deep discounting which provoked a DIY price war last year. Instead, it has adopted a policy of "everyday low prices", permanently reducing the cost of 500 product lines.

Marks and Spencer, the UK's most profitable retailer, is also taking a longer-term view. Last autumn it launched an "outstanding value" campaign which involved freezing the price of three-quarters of its clothing range and reducing the price of the remaining 25 per cent. The company says it is committed to using productivity improvements to hold prices down.

There are several factors supporting Sir Geoffrey's forecast that price competition will be more savage in the 1990s than in the 1980s.

Even when the UK emerges fully from recession, the consensus is that consumer spending will grow at only about 2 per cent a year, compared with the 7 per cent it touched in the late 1980s.

Moreover, demographic changes will affect spending patterns, with the number of consumers in the high-spending 15-34 age group forecast to drop by about 1m during the decade, while the number in the more thrifty 35-59 group increases by more than 2m.

Virtually all new retailers arriving in the UK are discounters. These include warehouse clubs, which sell a range of goods from corn flakes to car tyres at bargain prices in enormous sheds; "category killers" – such as Toys R Us, Ikea and PC World – highly efficient superstores which sell a wide range of goods within a particular market segment at discount prices; and factory outlet malls, which gather together clearance outlets selling factory surplus or end-of-line stocks.

Many retail observers believe these formats will find a ready audience among consumers who have just lived through the worst recession since the second world war and have grown more price sensitive.

The view that customers are motivated by price above all is not, however, entirely borne out by research. Mr Jef Harris, chairman of market research group Harris International Marketing, says that of the 50,000 grocery shoppers it interviews each year, only 20 per cent rate price the most important factor when deciding where to shop. About 70 per cent say convenience is most important (the proportions have reversed since the late 1970s and early 1980s).

Only 30 per cent believe the supermarket or superstore where they shop is actually the cheapest available to them. That means 70 per cent of customers choose shops which they believe are not the cheapest, because other considerations are more important.

That view is backed by research by the Henley Centre, which has found low prices alone are far from being the main factor influencing consumers.

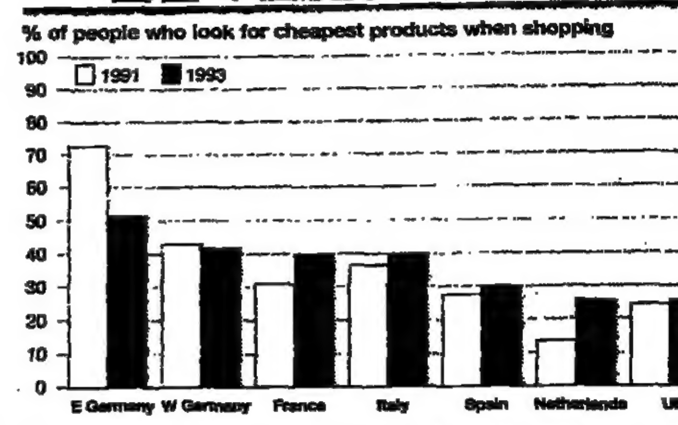
Both research groups agree that as more women work full-time, and as real incomes continue to rise and retail spending as a proportion of income falls, customers will be increasingly motivated by convenience, by the desire to save time, and by better value for money.

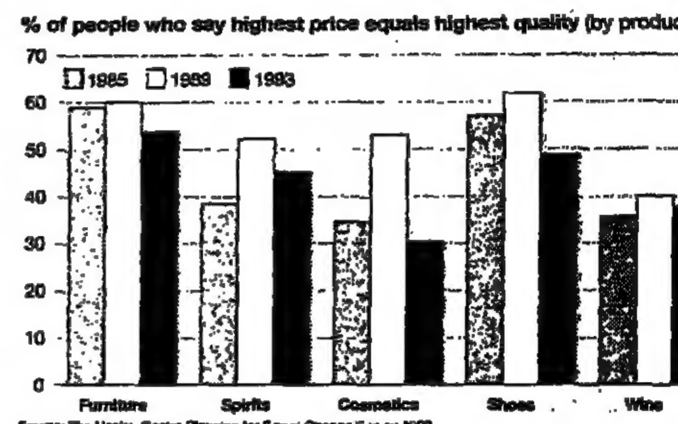
Mr Eric Salama, joint managing director of the Henley Centre, told a retailing conference earlier this year: "The link between price and quality is breaking down. Customers are beginning to expect that they can get higher quality goods without necessarily paying for them."

For 1990s consumers, therefore, simply cutting prices is not enough. Shoppers are not concerned just with buying the cheapest – they want good-quality products, but at competitive prices and accompanied by good customer service. That is the real challenge for manufacturers and retailers.

Additional reporting by Andrew Adonis, Scheherazade Daneshkhu, Guy de Jonquières, John Griffiths, Michael Skapinker, Ray Snoddy

Cut price competition





Source: The Henley Centre Planning for Social Change Survey 1993

MAN IN THE NEWS: ***Ray Noorda***

Hard wear for a software warrior

Louise Kehoe and **Geof Wheelwright** on the 'Mr Nice Guy' who has taken on Bill Gates

Ray Noorda, 69, looks like everyone's favourite grandad. The chairman and chief executive of Novell, the world's second-largest personal computer software company – after its arch-rival Microsoft – drives a pick-up truck to work in Provo, Utah, and decorates his offices with folksy Norman Rockwell prints inscribed with uplifting mottoes.

A more unlikely adversary of Bill Gates, the testy, boyish multi-billionaire chairman of Microsoft is hard to imagine. Yet "Mr Nice Guy" Noorda, has shown that beneath the amiable exterior lies a determination to influence the direction of the computer industry. And that means putting Gates in his place.

This week, it emerged that Novell has filed an anti-trust complaint against Microsoft with European Community competition authorities. Novell has also played an active role, behind the scenes, in providing information to US authorities, leading to a justice department anti-trust probe of Microsoft. Clearly rattled, Gates has lashed out at Noorda. "He has a tremendous vendetta against us. Novell has made a conscious decision to spread lies about us," he has charged.

Responding calmly, Noorda says: "We have felt that Microsoft has broken certain principles or codes of doing business. Wherever we see unfair practices ... particularly if we feel they are injurious to the industry at large, we will probably complain to the recognised authorities."

Noorda defers to his lawyers on details of the complaint to the EC, which alleges Microsoft has abused its dominant market position in personal computer operating systems to restrict competition.

He is, however, forthright on the principle involved. "Competition is absolutely necessary for anybody to improve what they are doing. So it wouldn't be good either for Microsoft or for the industry if they were to achieve a monopoly."

Gates "is not a bad guy, he is a young guy," Noorda adds. "In my more than 40 years in the industry I have not met a bunch like them. They are possessive, aggressive and strong challengers, but they are afraid of head-on competition and that is anathema to me."

Noorda's outlook has been shaped by attempts to compete with Microsoft in the market for PC operating systems. Novell charges Microsoft protects its share of this segment of the software business – more than 90 per cent – through restrictive licensing schemes.

Adding fuel to perceptions of uncompetitive trading is the abortive merger plan between the two companies, initiated by Gates last year, which was called off when Microsoft acquired another software company without telling Novell. Noorda says: "I don't know what their motives were. I can only speculate. But perhaps they were trying to slow us down."

Noorda warns that computer users do not benefit if one company be it Microsoft or IBM becomes so dominant that it can dictate "how the game is played".

During a career which began in the era of punch cards, Noorda believes the most significant technological change has been the emergence of the "networking environment" in which different types of computer are linked throughout an organisation, sharing information and processing tasks.

"Today, the customers demand that everything has to work together," Noorda says. "That means that everyone in the computer industry has to work together. We have tried to make a successful business out of working with companies who would otherwise be called our competitors."

Noorda has coined the word "co-opetition" to describe the complex relationships which can bring competitors to share, for example, technical details of forthcoming products to ensure that they work together. "We feel that he who will co-operate the most with competitors will be the longer-term survivor," Noorda says.

This does not mean Noorda is a push over. Indeed, Novell is one of the few companies in the software industry that has gone head to head with Microsoft and won.

Since he acquired Novell 10 years ago, Noorda has transformed what was a failing computer company into the leading supplier of software for personal computer networks, with more than 70 per cent of the world market. Turnover has increased from $3.8m in 1983 to $933m in its fiscal year ended October 31 1992.

In the process, Noorda, with about 11 per cent of Novell's stock, has become a billionaire. But money does not seem to excite him. Until last year he drew a modest salary of $38,000 a year, preferring, he said, to spend money on hiring. The board of directors forced him to raise his salary to $198,000 after Wall Street observers suggested his commitment to the company might appear to be in doubt.

Since he took over at Novell, Noorda has acquired 15 smaller companies, expanding Novell's technology base and demonstrating a rare ability successfully to manage mergers. The largest acquisition, completed in June, with the $322m purchase of Unix System Laboratories, a former AT&T subsidiary, may stretch those skills. Assimilating USL's employees is a challenge, Noorda concedes. The recent departure of Roel Pieper, former president and chief executive of USL and a respected industry executive, for "personal reasons", hints at how difficult the adjustment may be.

The purchase of USL will also test Noorda's "co-opetition" philosophy. Novell now controls Unix, the widely used computer operating system. This makes Noorda the referee in an industry-wide feud over competing versions of the program. The acquisition also places Novell in head-to-head competition with Microsoft's latest Windows NT, an advanced computer operating system that represents Microsoft's bid to expand beyond PCs.

As Novell and Microsoft's ambitions increasingly overlap, the potential for conflict increases. Yet Noorda insists he is not aiming to depose Microsoft as the industry leader. "Our motivation is not to own the industry, not to be the biggest company necessarily, but to accelerate the growth of the industry," he says. "That is our best chance for survival in this intensely competitive business."

It is this competitive challenge that seems to motivate Noorda. He has no plans to retire, he says, although he plans to name his successor at Novell later this year. "I'll expire before I retire," he quips. "I hope to continue to be involved with Novell for a long time." And for that long Microsoft is likely to feel the heat.

Big car makers are following their customers downmarket, says **Kevin Done**

Gloom behind the glamour

The motor industry moguls have already checked out of Frankfurt. The circus touches down next in Tokyo in October. Sadly the champagne, the canapés and the elegant hostesses have largely disappeared too – to be replaced by the smell of sweat, stale beer and sausages along the concrete walkways.

It is the turn of the customers this weekend to push and crane to ogle the show of shiny metal that the best of the world's motor industry have put on display.

More than 900,000 visitors are expected to have elbowed their way through the crush of the endless halls of Frankfurt's biennial motor show, Europe's biggest, by the end of next week.

But how many of them will come out and buy? If the industry's wise men are right, 2m-2.5m fewer new cars will leave showrooms across Europe this year, with German sales alone forecast to fall by about 900,000.

Four years ago Frankfurt was dominated by green issues and sales were roaring along at record levels. Now every new car has its catalytic convertor, every engine has swapped its carburettor for fuel injection. Recycling strategies are in place.

Then two years ago it was safety – and sales were still at a record level.

Now everyone has a safety package too, boasting airbags – preferably passenger and driver-side – safety belt pre-tensioners or grabbers, anti-submarining seats and reinforced cages for the passenger compartment.

So what of 1993? First the Frankfurt show will be remembered as the moment when Mercedes-Benz and BMW, arguably the world's top two makers of up-market executive and luxury cars, showed the world they were in earnest about diving down to the small car market to try to capture more of Europe's dwindling band of car buyers.

BMW's bright-red E1 concept car – a choice of petrol or electric propulsion, a "greenhouse" roof and about the size of a Ford Fiesta – will not be on the roads for a few years, though it is already being driven inside the showgrounds.

In a more restrained shade of metallic blue Mercedes-Benz is unveiling its Vision A 93 small concept car amid floodlights and pounding rock music. Shorter than a Rover Metro or a Renault Clio, with a high roof to allow the engine and gearbox to be located beneath the four-seat passenger compartment, the Vision A 93 is a far cry from Mercedes-Benz's leviathan two-tonne S-Class launched only two years ago.

Mr Helmut Werner, who is rapidly emerging as a revolutionary new chief executive at Mercedes-Benz, is adamant that a small car will be in production by "1997 at the latest".

"The S-Class was our premium profit producer, but this has changed and we must act accordingly. "Our customers are on the move into market segments they have not been in before. They are also buying small cars. We have to be sure we follow our customers."

Frankfurt '93 will be remembered too for aluminium. Audi, the up-market car division of the Volkswagen group, unveiled its near production concept for a top-of-the-range luxury car with an all-aluminium body. The real thing should be launched next year.

"We have to get away from the spiralling weight of cars," says Professor Ulrich Seiffert, one of the losers and winners in this year's game of management musical chairs at the top of the embattled VW group. Swept away from the Volkswagen main management board to the VW division by Mr Ferdinand Piëch's clean broom at the start of the year, he has just been reinstated as the group's research and development director. "In the past 10-15 years 150kgs has been added to the average weight of a car. We have to bring the weight spiral down."

And Frankfurt will be remembered for gloom.

Seat, the Spanish subsidiary of the embattled Volkswagen group, held its Frankfurt party at the Rebstockbad, a complex of swimming pools, water chutes and saunas.

Traditionally the party is a fiesta, but this year the evening's highlight of a trapeze artist swinging high above the pool with only the water for a safety net was uncomfortably reminiscent of the predicament of most of the European car industry's top executives.

With little visible form of support they are swinging above an abyss of mounting losses, job cuts, restructuring and cost-cutting.

It was left to the industry's leading showman Mr Bob Lutz, ex-BMW, ex-Ford, and now president of Chrysler to give the show some old-time razzmatazz with the world launch of the US carmaker's all-new Neon small car. At a recent Detroit motor show he launched the group's new Jeep Grand Cherokee sports/utility by driving it up the steps of the main entrance and in through a plate-glass window. This year in Detroit he dropped his Dodge Ram pickup down from the roof.

And in Frankfurt? Now with steely grey crew-cut and the look of a US Marines commander, Mr Lutz turned the Chrysler stand and arena into a giant pin-ball machine, so that the stage could flash up the message that the Neon marked the start of a whole "NEW GAME" in the world small car market.

Most of the car industry does not like the current game very much, but at least Mr Lutz could growl with satisfaction: "Now that was a real launch."

Showdown at the French corral

David Buchan on threats to veto the US-EC farm trade deal

French farmers demonstrating in Paris against Gatt policies earlier this year; right, French prime minister Edouard Balladur AP

French ministers dress up their case for a better Gatt deal for French and European agriculture in the high-minded motto of the French revolution and republic.

First, liberté for France to maintain its "vocation" as the world's second-biggest agricultural exporter. Second, égalité of sacrifice between the farmers of Europe and France and those of the US. Finally, fraternité in the form of a "peace clause" which would extend the protection for the EC's reformed Common Agricultural Policy from American legal attack well into the next century.

But behind this rhetoric and demands lies a deadly political game. A French veto of the US-EC draft farm trade agreement, perhaps as early as the September 20 meeting of the EC ministers in Brussels, would have serious consequences for France's relations with its European partners, for what remains of Community solidarity, and for the fate of the seven-year-old Uruguay Round of the Gatt negotiations.

For the odds are still that Prime Minister Edouard Balladur will be driven to carry out his threat to "go to the end of our determination, our firmness" in getting major revisions in the draft farm accord which the European Commission negotiated with the US last November.

This so-called Blair House agreement would, France insists, go far beyond the production curbs in the last year's EC reform of Common Agricultural Policy. Instead of having to take 15 per cent of land out of production – as agreed in the EC's own reform – French farm unions say that implementing Blair House would lead to an idling of more than 30 per cent of land, and halve France's pork production and reduce its cereals output by 25 per cent.

For France, the most objectionable aspect of Blair House is the requirement that the EC should reduce the volume of its subsidised exports by 21 per cent over six years. By contrast, French ministers say their farmers can live with Blair House's proposed 36 per cent cut in the *value* of exports subsidies.

It has made this gesture partly to show that it is not totally closed to change and

Behind this rhetoric and demands lies a deadly political game

partly to frighten its partners by reminding them that, after all, the big cereal farmers in the plains around Paris are Europe's most competitive.

The possibility of a last-minute compromise has increased as French diplomacy has gone into overdrive, bombarding EC partners and the Commission with a series of proposed modifications and clarifications to Blair House.

Chancellor Helmut Kohl is also, by his own account, trying to broker some compromise. The German leader told Mr Balladur that President Clinton told him in a telephone conversation that the US "understood" France's reservations, even if it did not agree to with them.

Mr Balladur's threat of a veto may be a bluff. But it would be dangerous to count on this. France has no pro-Gatt lobby and industrialists are chary of speaking up against farm interests.

The reluctance of a prime minister with a record high standing in opinion polls to face down farmers, which comprise six per cent of workforce, may seem odd. But last year the then Socialist government escaped defeat on a parliamentary censure motion by four votes after having accepted the May 1992 CAP reform.

This time, on the even more emotive issue of a Gatt deal, Mr Balladur might not be so lucky. If his ministers are unable to return to Paris with some key concessions he might find his poll ratings pulverised.

There are within his own party who have been sharpening swords for Mr Balladur to fall on. Mr Philippe Seguin, the RPR president of the National Assembly, has championed "an alternative policy" on Europe, Gatt and the economy, as a presidential platform for Mr Jacques Chirac, the RPR presidential candidate to run on. The latter whose populism goes down better with the farmers than Mr Balladur's patrician style, would not lightly ditch Mr Balladur. But he is unlikely to let his long friendship with Mr Balladur stand in the way of his 20 year quest to win the Elysee Palace.

Fully aware of his appalling dilemma, Mr Balladur, has not been drifting passively towards the rocks of Blair House over his six office.

He quietly approved in June formal EC acceptance of the ceiling on European oilseed production that had been negotiated as a side-element to Blair House. He concluded that by accepting what was basically a good deal for EC and French oilseed producers, France could both give concrete proof of its new-found reasonableness and win concessions on other, more distasteful aspects of Blair House. For a time, France's two main farm unions, the FNSEA and CNJA which represent more than half the country's 1m full-time farmers, took their tune from Mr Balladur. What trouble there was during the summer was largely directed

For a time, France's two main farm unions took their tune from Mr Balladur

against imports of fish, fruit and vegetables, largely outside the EC price support regime and therefore the scope of Gatt.

France also acquiesced in the industrial tariff cuts agreed by the Group of Seven countries at the Tokyo summit in early July, without getting a whisper of a promise to reopen Blair House. But just as Mr Balladur began to feel completely caught between his farmers' continued intransigence against the basic provisions of Blair Hosue and his foreign partners' insistence that Blair House was a done deal, and that the Gatt talks must move on to fresh ground, a ray of hope emerged – from of all things the August monetary crisis in the European monetary system.

That momentous cloud had a silver lining, because it suddenly disposed Mr Kohl to listen to French complaints. Since early August, farmers in countries like France, whose currencies depreciate, get a better return for their crops, once the common Ecu price is translated into national money. Exactly the opposite is happening in Germany, whose farmers now face lower D-mark prices for their products everytime the D-mark rises. With election looming, the prospect of with discontented farmers on his hands disturbs Mr Kohl.

"France wants Germany to help remove Blair House's provision for a 21 per cent reduction in the volume of subsidised exports," says a French minister, explaining the basis of recent discussions between the two countries. "In return Germany wants France's help in preventing a fall in German farm prices."

As a fall-back – in the event that it cannot get EC partners to agree to demands from the US for a scrapping of the 21 per cent cut – France is proposing to that the reduction should apply to a smaller category of goods. It suggests food aid, processed products and existing silo stocks could be subtracted from list to which the cut would apply.

Whether this would be negotiable in Washington is something which Mr Kohl has been trying to establish. Certainly, anything seems worth trying to avoid the dreadful dilemma between France losing the most pro-European prime minister it is likely to have for the foreseeable future, and Mr Balladur keeping himself in power by using the French veto, which would damage an already enfeebled Community.

Alan Pike on possible reforms at UK residential homes

A few wrinkles in a maturing business

Are residential homes good places for your elderly mother? Are they good places to invest your money?

The questions are closely linked. This week a series of market flotations by private sector operators of care homes followed indications that the UK government is considering relaxing regulations on the homes as part of its drive against red-tape. While no operator wants unnecessary regulation, there is awareness that scandals in badly-run, poorly-inspected homes could damage the prospects of a fast-developing sector.

Private homes underwent astonishing growth in the 1980s – places rose from less than 50,000 in 1981 to more than 150,000 10 years later. On the basis of statistics alone, residential care is a business that cannot fail in the 1990s. The proportion of elderly people is rising – one-fifth of the population will be over 65 by 2021, twice as many as in 1951. There will be a sharp increase in the over 80s, while changes in family structure mean fewer dependent elderly people are living with their children.

But such trends alone cannot guarantee a successful business. The explosive growth of private homes in the 1980s resulted from two exceptional factors. Rising property values helped make owner-managed homes an easy and apparently low-risk small business to launch. And the right of many elderly – who often would have been unable to pay their own fees – to social security funding meant proprietors could rely on a regular income. State funding of residents in private and charitable homes rose from £10m in 1979 to £2.5bn this year.

The property market is now less friendly, leaving some individual homeowners with negative equity in rambling old houses with high maintenance costs. Since the introduction of the government's community care reforms in April, people entering homes for the first time no longer qualify for automatic state-funding.

Local authorities now assess individual needs, and are encouraged by the government to help the elderly remain in their own homes. A report by the Commons' health committee in the summer predicted that, during the next few years, the new arrangements would lead to a big shake-out of independent residential and nursing home providers – "painful for owners but even more traumatic for residents if they find themselves uprooted from the places they have come to consider their homes".

The homeowners that appear best placed to survive any shake-out are the bigger operators. There are about 20 quoted companies in the residential care field. Of the two largest, Westminster Health Care saw pre-tax profits rise to £4.3m in 1992-93 from £1.7m the year before. Takare last month reported a 17 per cent rise in interim profits to £6.9m.

Big operators still only account for a small part of the market. Takare, one of the biggest companies of its type in Europe, has little more than 2 per cent of the UK market.

Like the hotel and catering industry, residential care will always retain a place for owner-managed establishments. But the large companies have considerable advantages.

Using modern purpose-built accommodation and benefiting from economies of scale in areas such as staff training, corporate operators are agreeing long-term contracts with public authorities to house substantial numbers of clients – providing competitive rates for the authorities and a guaranteed revenue stream for the companies. The next likely development is leasing schemes, with property companies building cost-effective homes and specialist care companies running them.

Though no operator will be exempt from competition caused by the shift of emphasis in public funding to domiciliary care, the market will be underpinned in the long term by demographic trends and the expected growth of insurance policies taken out by working people to pay for residential care in later life.

But there is no desire in the sector for a battle in which operators compete by cutting standards. What the sector is demanding is more consistency in regulations and contracts across the UK.

"Our homes have bedrooms with 35 per cent more space than required by law and corridors that are 60 per cent wider than the prescribed minimum," says Mr Keith Bradshaw, chairman of Takare. "I don't want people trading who are not prepared to invest in acceptable standards. I am quite prepared to jump through the hoops of regulation. But I need to know that the hoops in Bradford are the same as those in Birmingham."

Safe houses: operators are demanding more consistent government policies

His comments reflect widespread concern in the sector that April's reforms, under which residents enter homes on the basis of contracts drawn up by individual local authorities, are creating inconsistencies.

Methodist Homes for the Aged – one of the biggest charity home operators – deals with 116 local authorities, for instance. "Some operate only at the minimum standards of the Residential Homes Act, which we regard as low," says Mr Phillip Barkett, operations director. "Others take basic contracts that it might be reasonable to apply to refuse collection and try to use them in residential care. Some make specific demands – such as insisting in contracts that residents must be served a hot drink within a stated number of minutes of waking up in the morning."

Standardisation of contracts between local authorities would, home operators believe, reduce bureaucracy, assist inspection and help create a level market around the country.

"At the moment many local authorities are driving hard bargains in contract negotiations, while the same authorities are making lavish demands when setting standards," says Eunice Paxman, who chairs the National Care Homes Association.

There will be few calls from the sector to abandon regulation but operators feel the government's community care reforms, designed to increase individual choice, are creating conflicting demands in which the maintenance of standards, and the sector's prosperity, will become more difficult.

Engineers must take real control of profession if their lot is to change

From Mr Paul Charlton.

Sir, While I am thrilled the director general of the Engineering Council (Letters, September 6) considers engineering to be an "attractive, stimulating and rewarding option", I can give several reasons why it is not.

First, if he regards an average salary of £31,768, or the statistic that 8 per cent earned more than £50,000 a year, satisfactory, he is sadly mistaken. He most sincerely would feel so if he tried to raise a family in south-east England on that salary level. Although still young for a chartered engineer, I already earn more than twice the average for an engineer of any age outside the profession in a non-City, non-selling role.

Second, the proportion of engineers recommending engineering as a career is irrelevant. Engineers have always recommended engineering as a profession. They are obliged to. They should have been asked how many of their children, who were academically capable, have chosen engineering as a profession. I suspect a very different response would have been obtained.

Third, any profession promoting itself towards women has, by inference, the intention of becoming a low-paid one (sorry ladies, but as an ex-engineer I am being realistic). Fourth, if engineering is that good, why does one top UK business school still limit the number of civil engineers, most of whom are looking for an exit route, on its MBA course?

Not until the supply and demand of engineers is controlled by the profession (and taken out of the hands of academics), and the profession decides to run itself like a profession rather than an amateur cricket club, and engineers get involved in the commercial aspects of their businesses, will the lot of engineers change.

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LETTERS TO THE EDITOR

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A case of financial incompatibility

From Mr David G Wallace.

Sir, Norma Cohen's article, "Doors slam shut in salesman's face" (September 8), revealed some interesting figures. I believe she should have gone further in terms of explaining the implications.

At the moment the commission payable on an annual premium personal pension plan is broadly related to the potential premium paying term to retirement – in other words, the greater the difference between the starting age and the retirement age, the higher the commission paid. For example, where a client pays a premium of £10,000, which is classified as "annual", a sum of about £8,000 would be stripped out in commission over a period of just more than two years. By contrast were the premium to be classified as "single" the commission taken out and payable immediately would be equivalent to about £480.

Independent intermediaries are certainly not above criticism where the question of commission is concerned, but it is interesting to note from the figures produced in your article that those employed by the banks and building societies as salesmen of "tied" products sell 150 per cent more personal pensions classified as annual rather than single. By contrast, "insurance brokers, solicitors, accountants and others" (independent intermediaries) sell 34 per cent *less* annual vis a vis single.

If Mr Wadsworth of consulting actuaries Watson & Company is right about bancassurance accounting for 30 per cent to 50 per cent of the UK retail financial services market by the end of the decade, these figures must be cause for concern as far as the consumer is concerned.

In our view commission and financial advice make incompatible bedfellows. As fee-charging independent financial advisers we believe the figures prove that not nearly enough has been done to raise the public awareness of the increasing trend towards poorer value for money products.

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Better a sympathetic encounter while walking in wine country

From Mr Michael Cornish.

Sir, Having just read Nigel Buxton's informative and useful new book, Walking in Wine Country, I was mystified by Giles MacDonogh's review (Food & Drink: "Lo's life and times", September 4). If Nigel Buxton met with much friendliness on his walks, regardless of whether or not he immediately disclosed that he was a writer, in contrast to Mr MacDonogh's experiences, I fear Mr MacDonogh must face the possibility that he may appear less pleasant and sympathetic to meet on such occasions than Mr Buxton.

I hope therefore that Mr Buxton will take more walks in wine country for our benefit and I suggest that Mr MacDonogh stay in his car when next in those parts.

Michael Cornish,
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Risk from radioactive discharges meaningless without a time scale

From Sir Frederick Warner.

Sir, The director of science, Greenpeace UK, writes in criticism of science in environmental policy (Letters, September 8). She says that the government assumes that a one in 10,000 risk of dying as a result of radioactive discharges is acceptable. This is meaningless with no time scale.

She should ask Brian Wynne for the Royal Society publication, Risk-Analysis, Perception, Management 1992, to which he contributed. This defines risk as the probability that a particular adverse event occurs during a stated period of time, or results from a particular hazard. Risk of death is one of the events on which statistics going back many years are unarguable. A risk of one in 10,000 a year is roughly that in road accidents. It is accepted by anyone who ventures on the road. The official estimates of one in a million a year from radioactive discharges (HMSO 1984) are made from the experience of Hiroshima and Nagasaki. They could be more accurate as a result of work at present planned.

Your editorial of the same date ("Green agenda") underlines the need for social scientists and economists to work alongside natural scientists. The Royal Society report showed the difficulties. There is a need for better knowledge of costs and benefits to use resources sensibly. The precautionary principle is flawed without the concept of proportionality.

The Health and Safety Executive conference, October 1992, has produced two large volumes of required reading. It has a page from the US Office of Management and Budget showing the cost of preventing one premature death as $100,000 for seat-belt regulations, up to $110.7m for the ban on asbestos. It underpins the priority given by the president to cutting down regulations.

Frederick Warner,
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Waiting for Christmas to put a sparkle in Signet

Renamed Ratners loses £27m in dull first half

By David Blackwell

RATNERS jewellery shops, lumbered with an image problem ever since their founder's disparaging comments on some of the merchandise, are fading from the nation's High Streets almost as fast as they sprang up in the heady 1980s.

The number of stores bearing Mr Gerald Ratner's name has been cut by new management from a peak of 250 to 140.

But like-for-like sales at the remaining stores were down 12 per cent in the first half this year.

So a further 40 stores are to be converted into H Samuel branches, a more up-market format.

By this time next year, only 60 Ratner shops will remain.

In a further break with its past, the company won agreement from shareholders at yesterday's AGM to change its name to Signet Group.

Mr James McAdam, chairman, described the Ratners shops as one of Signet's "two problem children".

Its falling sales were in sharp contrast with the group's other jewellery chains – H Samuel and Ernest Jones – which were 2 per cent and 4 per cent ahead respectively. The group has 1,800 shops in total.

The other "problem child" is Salisbury's, the bags and luggage store, where like-for-like sales were down 8 per cent.

A new management team has been installed and the strategy behind the chain is under review.

The group cut its pre-tax loss in the six months to July 31 to £26.9m (£27.7m), while the operating loss from continuing operations fell 34 per cent to £11.7m.

The reduction of £6.17m in the operating loss from £17.8m last time reflected a £4.4m real improvement, with the rest coming from exchange rate benefits. The pre-tax loss last time included a gain of £3.7m on the disposal of discontinued operations.

Mr McAdam said that the first half results gave no real indication of the group's progress so far as its trading was so heavily weighted towards Christmas – but he would not be drawn into making any predictions for the Christmas season.

Total turnover for the group rose to £399.7m from £363.1m. But at constant exchange rates turnover was down 3 per cent, reflecting the effects of the store closure programme.

Like for like sales were, however, 2 per cent ahead.

Last year's improvement in gross margins from 51.9 per cent to 57.2 per cent, thanks to lower levels of discounting in the UK and cost savings from store closures, had been maintained.

In the US like for like sales were 5 per cent ahead.

Total interest payable was up to £15.3m from £12.3m.

With US borrowings – legacy of a 1980s acquisition binge, inflated by sterling's devaluation – net group debt rose to £332m at July 31 from £255.7m a year earlier.

The loss per share was 10.9p, against a previous 10.6p.

Dividend payments on preference shares remain suspended.

There is no interim dividend.

Mr Gerald Ratner left the group last November. Last month the company's annual report showed that he and his cousin Victor had shared payoffs for loss of office of more than £1m last year.

See Lex

Sedgwick subsidiary launches Lloyd's fund

By Richard Lapper

CLM Advisers, a subsidiary of Sedgwick Group, the insurance broker, yesterday announced the formal launch of its CLM Insurance Fund, an incorporated Name at the Lloyd's insurance market.

The launch comes ahead of the expected announcement on Monday of new Lloyd's rules outlining the accounting, regulatory and legal treatment of corporate investors.

Other investment and merchant banks have also announced their intention to launch similar vehicles but the sponsors of the CLM fund, Barclays de Zoete Wedd, are the first to issue an information memorandum.

Mr Michael Wade, chief executive of CLM Advisers, said he expected "considerable interest from both private and institutional investors" in the fund which will be managed so as to qualify as an investment trust for UK tax purposes.

It is understood that BZW will seek to raise more than £100m when it floats the fund later this year. A prospectus inviting investors to subscribe to the fund will be published during October so that the fund can participate in Lloyd's for the 1994 year of account.

The fund's board will be chaired by Lord Rees, a former chief secretary to the treasury.

Like existing individual Names, new corporate Names will be able to "use their capital twice". Capital used to support insurance activities will also be invested in other assets. The CLM fund will participate in a range of Lloyd's syndicates, via six subsidiary incorporated names, investing mainly in a portfolio of UK equities.

Investment managers BZW Investment will aim to track the FT-A All Share index.

Mirror hangs on to its image

Raymond Snoddy on how the tabloid price war influences investors

YESTERDAY'S 48-page Daily Mirror was a model of the art of popular journalism.

The main front page story was an emotional piece on the reason why the wife of pop star Georgie Fame committed suicide alongside the Blackpool landlady explaining why she had rented a bed to Nicola Rogers, the 13 year old runaway.

There was also of course details on the £500,000 Bono Bingo and the winner of the £50,000 mortgage competition. On page two there was a modest story on Israeli Peace Deal With PLO.

To potential investors in Mirror Group Newspapers, which is now emerging from the long shadow of Robert Maxwell, the most interesting item on the front page appeared in very restrained type – the 27p cover price. Since July 12 the Daily Mirror has been 7p more expensive than its main opposition The Sun and the differential appears to have made very little difference.

The Sun's price-cutting activity, and marketing ploys such as giving the paper away at Shell garages, has generated a degree of excitement which has pushed the popular tabloid market up by about 2.5 per cent overall.

The Sun is up by 300,000 to 3.58m, the Daily Star is up with the help of its Pot of Gold promotion but perhaps the most remarkable thing is that the readership of the Daily Mirror has stayed loyal.

Indeed the August circulation was 63,000 up on July.

The fact that the full frontal attack by The Sun has not dented the circulation of the Daily Mirror removed another in a long line of uncertainties that could have delayed the sale of the 54.8 per cent of MGN now effectively owned by a range of banks owed money by the later Mr Maxwell.

The last big hurdle was finally cleared earlier this week when the newspaper group, whose publications also include The Sunday Mirror, People and Daily Record in Scotland, agreed to settle a series of disputes with the private companies in the Maxwell empire.

The deal, which will save MGN nearly £70m in tax and costs, involves waiving potential net claims of at least £130m and in turn having legal claims against the newspaper group waived.

The extent to which MGN has recovered from the financial and editorial depredations of its former proprietor will become apparent on Wednesday when MGN announces its interim results. Analysts are forecasting pre-tax profits of between £28m and £30m compared with £16m. Mr Derek Terrington, media analyst at stockbrokers Kleinwort Benson, is going for £31m and it is likely that the results will be at the upper end of analyst's expectations.

The prospect of a single buyer for the stake has now been all but ruled out on the grounds that there are no obvious candidates around – or at least candidates who would not become immediately entangled in monopolies legislation.

All the signs now are that a private placing among a wide range of institutions is being planned.

This will please the existing management of MGN, under Mr David Montgomery, the chief executive, who see a wide range of City investors as the best guarantee of the newspaper group's independence.

No final date, it is believed, has been set for a disposal, but unless market conditions deteriorate unexpectedly MGN could be a publicly quoted newspaper with conventional shareholders within two months.

With the present MGN share price at 178p, even with an appreciable discount banks such as the National Westminster, holding MGN shares as security for Maxwell debt should do well out of the disposal. Terms vary but most will make something on their deals that would have looked implausible in the days when horrific revelations followed each other on the state of the Maxwell finances.

Mr John Talbot of Arthur Andersen, joint administrator to the Maxwell private interests, should also be able to make a little extra from the sale to distribute to other Maxwell creditors.

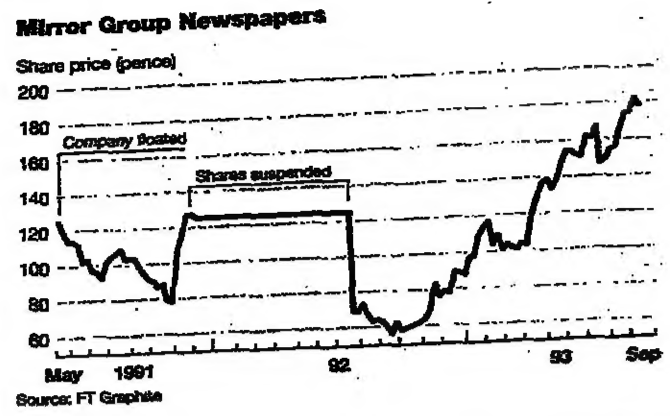
Despite intense competition in the popular newspaper market and a worrying downward trend in face of growing competition from the electronic media the outlook for MGN looks strong. Printing in Oldham is already making 64-page papers possible for the Daily Record and the Sunday Mail on Friday, Saturday and Sunday.

The first of the new printing presses being installed on the outskirts of Glasgow will come on stream in July further strengthening the Scottish paper in the battle with The Sun.

Many of the Mirror's most distinctive voices have been either sacked or have left the paper but 50 new journalists are being hired and the paper has not joined the ranks of the Tory press as many feared.

Yesterday's political comment may have been restrained by historic standards. But it still reminded readers how overall tax has risen under the governments of Margaret Thatcher and John Major and advised the Prime Minister to "scrap the heating tax now."

David Montgomery: looking for wide range of investors



Source: FT Graphite

Bardon in loss after £60m provision against US sale

By Catherine Milton

BARDON, the debt-burdened quarry products group, made a pre-tax loss of £59.5m for the six months to June 30 compared with profits of £4.6m, after providing for a one-off £60m provision against a US investment it plans to sell.

Mr Peter Tom, chief executive, expected slow improvement. "There are clear signs of an underlying recovery in orders, with encouraging volume increases in most areas of our business. The critical issue is pricing, which has been much slower to respond."

He forecast an unchanged dividend of 2p for 1993, and the interim is again 0.8p. Losses per share were 17p (earnings 0.5p) and 0.4p adjusting for the exceptionals.

Turnover improved to £160.5m (£151.4m), mainly on US orders. Mr Tom said: "These are very large jobs so you don't actually get an immediate benefit. In the current year we will see some benefit, but not as great as people might expect."

Bardon Roadstone, the English quarrying business, enjoyed a sound half year. It met its budget despite a fall in aggregates demand in the UK.

Operating profit dropped to £9.2m (£13.4m) as both the Scottish businesses performed poorly compared with the previous period. Operating profits from US operations fell because of disposals and exchange rate effects.

Net interest charge declined to £3.7m (£8.8m) and borrowings at the half-way stage stood at £312m (£237m) before a £72m rights issue in July.

"The interest cost was little changed, on reduced dollar debt, due to the lower exchange rate this year. This more than offset the benefit of a stronger dollar on US earnings, which are seasonally low in the first half," Sir Peter Parker, chairman, said.

In addition to the rights issue, Bardon is planning a private placement of US loan notes worth $72m. This should reduce gearing to 60 per cent.

Disposal puts Vinten in red

By David Blackwell

THE DISPOSAL of a lossmaking defence business pushed Vinten, the camera mountings and systems, surveillance and electro-optics group, into the red for the first half of 1993.

A pre-tax loss of £1.71m was notched up after an exceptional charge of £7.27m, made under FRS3, for the sale of Exotic Materials, a California-based manufacturer of parts for infra-red systems used by the defence industry. The group made a pre-tax profit of £4.29m last time.

At the trading level profits were up nearly 24 per cent to £6m (£4.85m). The latest figure included a loss of £623,000 from the discontinued division, and gains of £388,000 from acquisitions.

Turnover increased from £36.4m to £43.7m.

Mr Malcolm Baggott, chief executive, said the disposal would eliminate Vinten's exposure to the uncertain US defence markets. At the same time the group had lifted both trading profit and revenues "despite difficult conditions".

Three acquisitions were made during the half year that would strengthen the group's position in the broadcast and photographic section of the business which now accounted for the majority of turnover. Further benefits would flow from the acquisitions in the second half, with the full benefit coming through next year.

Net borrowings had increased by only £7.8m to £16.5m, however, because of the group's strong operating cash flow, said Mr Baggott.

Losses per share were 7.2p (earnings 8.8p); taking out the exceptional items gave earnings of 11.4p. The interim dividend is stepped up to 2.1p (1.9p).

PSB satisfies bid panel regarding stake in ICD

By Catherine Milton

A BREACH of takeover rules by a group of investors who recently bought into International Communications and Data has been rectified, the Takeover Panel said yesterday.

The Panel ruled that the holding in ICD belonging to the investors led by PSB Group, a direct marketing company, breached its substantial acquisition rules. The group had acquired voting rights representing 23 per cent of ICD's equity.

Under rules brought in to ensure that all shareholders can benefit from takeover activity, the Panel's rules require investors to wait seven days between purchases of 15 per cent tranches.

It therefore ruled that PSB must dispose of voting rights on 4.24m shares, 8 per cent of the equity, and could not vote them in the meantime. This ruling had now been satisfied, the Panel said.

ICD expects to announce a pre-tax loss for the year to May 31 of £5m in the next two weeks following a reorganisation.

It is opposed to the group, in which Mr John Porter, son of Dame Shirley, the former leader of the City of Westminster Conservatives, is a 5 per cent shareholder.

Mr David Cicurel, ICD's chairman, said: "They have a lot of votes for very little money risk and I would jolly well hope they have the interests of all shareholders at heart."

James Beattie falls 31% to £1.22m at half year

SIR ERIC Pountain, chairman of James Beattie, the West Midlands stores group, yesterday reported a 31 per cent fall in profits from £1.76m to £1.22m pre-tax for the half year ended July 31.

He said trading conditions had "continued to suffer from the measure of uncertainty which has inhibited consumer spending for so long".

On a more confident note, Sir Eric said there were grounds "for belief that the worst effects of the recession have worked through".

First-half sales, excluding VAT, rose by 5.1 per cent to £31.9m. The figure included a six months' contribution from the Worcester store against four months last year.

Operating profits declined to £595,000 (£725,000) while investment income and interest dropped from £1m to £626,000.

Earnings fell to 1.73p (2.51p) but the interim dividend is being lifted from 1.4p to 1.5p.

WPP sells US advertising arm for $6.9m

WPP, the debt-ridden marketing services company, has sold Seiniger Advertising for $6.9m (£4.48m), of which $4.9m was paid in cash and the balance in an interest bearing note repayable over five years.

Seiniger is a Los Angeles-based producer of marketing campaigns for films. It made a loss of $900,000 on revenues of $12m last year.

The sale gives rise to an exceptional non-cash charge of $12m due to the implementation of the UK accounting standard requiring goodwill previously written off to reserves to be written off to the profit and loss account.

Stockbroker dismantled by Banque Indosuez

BANQUE Indosuez yesterday confirmed changes that will dismantle Carr Kitcat & Aitken, a firm bearing some of the oldest names in British stockbroking, writes Peter John.

The firm, part of the French bank's WI Carr Group, will be renamed Indosuez Capital Securities with most of the broker's UK institutional client operations being abandoned, along with all of its research operation.

As a result of the changes 40 staff, mainly UK institutional sales people and analysts, will lose their jobs.

The new organisation will carry out its institutional business in five broad areas – Europe, natural resources and South Africa, the Far East, Latin America and gilts. It will also offer a "limited service" in UK equities to institutions.

Meanwhile, Banque Indosuez will concentrate its private client business through Carr Sheppards in London and Le Masurier James and Chinn in Jersey.

Yesterday's changes were announced to coincide with Banque Indosuez's half-year results statement. However, rumours of the change had circulated among London marketmakers for the past fortnight.

Banque Indosuez results, Page 12

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Armour Trust	fin	1.29	Jan 7	1.1735	1.6365	1.4885
Bardon	int	0.8	Nov 26	0.8	-	2
Beattie (Jas)	int	1.5	Nov 1	1.4	-	6
Bletchley Motor	int	4.75	Oct 14	4.4	-	8.8
Boustead	int	nil	-	0.35	-	0.7
Flogas	fin	4.98♣	Oct 28	4.98	7.92	7.92
Gaskell	int	1.5	Oct 18	1.5	-	4.25
Headway	fin	0.7	Nov 5	0.7	0.7	0.7
Henderson Euro	fin	1.7	Oct 27	-	3.2	-
Royal Dutch	int	3.7‡	Sept 21	3.6	-	7.23
Ulster TV	int	6.25	Oct 22	4.25	-	10
Vinten	int	2.1	Jan 4	1.9	-	7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Dutch guilders. ♣Irish currency

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	107	94	Anglian Water Wrts	106½	+6	-	-	-	-
120	F.P.	-	147	125	Bakyrchik	130	+1	-	-	-	-
†150	P.P.	-	188½	150	British Telecom (P/Paid)	178½	+2½	R15.6	1.4	11.0	8.8
90	F.P.	-	98	95	Crockfords	95		W5.2	2.3	6.8	7.5
-	F.P.	-	5	3½	§Explaura A	4		-	-	-	-
-	F.P.	-	158	149	Finsbury Smllr. Co's. C	155		-	-	-	-
-	F.P.	-	70	67	For & Col Special Inc	69½	+1	-	-	-	-
-	F.P.	-	46	42	Do Capital	44		-	-	-	-
-	F.P.	-	116	109	Do Units	112½	+½	-	-	-	-
100	F.P.	-	113	101	Lazard High Inc Tst	109	+1	-	-	-	-
-	F.P.	-	33	18	Reglan Warrants	33		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
-	F.P.	-	112½p	103p	Argyll 8¼pc Cm Pf	112½p	
100	F.P.	-	110¼	105	Coats Viyella 6¼pc Cv Sub 2003	110¼	
-	F.P.	-	114	105	Ex-Lands 7½pc Cv Ln 2020	113½	
100	F.P.	-	107	98¼	Greenalls 7pc Cv Sub 2003	107	+½
-	F.P.	-	108½	104½	Nat. Power 6¼pc Cv Sub 2008	108½	+1
-	F.P.	-	114¼	107¼	Warburg 6½pc Cv Sub 2008	114	
-	F.P.	-	112	107	Wilton 6¼pc Sub	112	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
17	Nil	29/9	1½pm	1pm	§Albrighton	1pm	-¼
21	Nil	22/9	16pm	11pm	Arlen	15pm	-1
Ir260	Nil	20/10	31pm	27pm	CRH	27pm	
90	Nil	12/10	8½pm	2pm	Crockfords	2pm	-½
125	Nil	22/9	30pm	20pm	Lilleshall	21pm	+1
130	Nil	25/10	19pm	8pm	Rolls Royce	16½pm	
19	Nil	12/10	3pm	¼pm	Usborne	¾pm	
88	Nil	13/10	13pm	7pm	Wickes	7pm	-3

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 23
- Last Dealings Sept. 10
- Last Declarations Nov. 25
- For settlement Dec. 6

3-month call rate indications are shown on page 10.

Calls: Alliance Res., Aminex, BTR, Mirror Group, Monument Oil & Gas, P & P and Wembley. Puts: Halma and Proteus.

NEWS DIGEST

Bletchley Motor rises to £785,000

WITH ALL divisions, particularly contract hire, performing well, Bletchley Motor lifted first half 1993 pre-tax profit from £604,000 to £785,000.

Mr David Dunn, chairman, said contract hire produced £473,000 (£324,000) as it continued to benefit from giving "high quality service".

Self-drive was at last emerging from the recession, and reduced costs and increased demand pushed profits up to £73,000 (£11,000).

In car sales new vehicle registrations were ahead 9 per cent but at a small cost to the used car business.

The chairman said that aftersales activities remained strong, despite extended service intervals and improved vehicle reliability.

Turnover came to £39.6m (£35m) realising an operating surplus of £1.28m (£1.26m). Interest costs were cut to £492,000 (£657,000).

Earnings per share worked through at 10.9p (11.4p) and the interim dividend is raised to 4.75p (4.4p)

Hewetson shares fall on profit warning

Shares in Hewetson fell 5p to close at 40p last night as the Hull-based provider of goods and services to the construction industry warned that results for the year to March 1994 would be below current market expectations but not very different to the £503,000 achieved last year.

The two main reasons were very low demand during July at Contract flooring Sales, the flooring business, and a delay in the recovery of Hewetson Floors, the raised access flooring business.

However, the directors said that unless conditions worsened there was no reason to reduce the dividend below the 1.25p paid last year. In addition, the balance sheet remained strong and the current investment programme would enhance prospects, they said.

Insurance gain keeps Gaskell in black

Only an exceptional credit kept Gaskell, the carpet manufacturer, in profit over the six months ended July 2. It made £393,000, against £15,000.

Mr Edward Andrew, chairman, said price cuts had to be made to defend the market share, and that was successful in that turnover rose by 6 per cent over the preceding half year. However, the pressure on margins led to a turnround from an operating profit of £386,000 to a loss of £369,000.

The exceptional profit was £913,000, realised on fixed assets destroyed by fire. The proceeds will enable the group to bring forward an important item of capital investment in a second non-woven production line.

On the future, Mr Andrew said the market was slowly recovering and the order books were beginning to increase for the first time since 1991.

Half year turnover was £14.2m (£15m). Earnings per share came to 5.2p (0.2p) and the interim dividend is again 1.5p.

Henderson Euro net asset value 104.68p

Net asset value per share of Henderson EuroTrust, the split level investment trust, amounted to 104.68p as at July 31 1993, compared with 75.5p when the trust was launched in July 1992.

For the 14 month period – which includes 13 months trading – net revenue came to £674,000 after tax of £287,000.

Earnings per share were 3.73p while a final dividend of 1.7p lifts the total to 3.2p.

Boustead achieves 90% advance

Boustead, the industrial products and technical services group acquired last year by Jack Chia-MPH, the Singapore-based trading company, lifted pre-tax profits by 90 per cent from £806,000 to £1.53m in the half year to June 30. There were losses of £1.8m for the 1992 year.

The advance was on turnover of £33.1m (£39.8m). Earnings improved to 1.1p (0.2p) but there is no dividend (0.35p).

Exchange rates hit Flogas profit

Flogas, the supplier of liquefied petroleum gas in the UK and Ireland, has blamed turbulence in exchange rates as the principal cause of a drop in profits in the year ended June 30 1993.

Pre-tax profit reported for the year was down from I£7.16m to I£6.52m (£6.1m). But Mr Jim Flavin, chairman, said had the same exchange rate been used throughout this year profits would have been I£440,000 higher.

Start-up costs associated with natural gas business in Britain, R&D expenditure, the introduction of a twin share scheme which were written off, had also created exceptional costs of I£270,000.

Earnings per share were 23.31p (23.92p). The final dividend is 4.98p for an unchanged total of 7.92p.

DCC, the Dublin-based industrial holding company, owns 60 per cent of the capital.

Maritime Transport financial package

Maritime Transport Services, the company developing the new Thamesport container facility at the Isle of Grain in Kent, has signed a restructuring package involving a £95m conversion of loans and debt to equity.

The arrangement with its bankers reduces MTS's debts to £76m, with the first of the capital repayments not due to begin until 1996 and interest payments starting from January 1995.

Armour Trust 15% up at £1.6m

In spite of a tough external environment and a currency devaluation on sugar prices, which virtually increased by 20 per cent overnight, Armour Trust recorded a 15 per cent improvement in annual pre-tax profits to £1.6m.

Earnings worked through at 4.2p (3.7p) and a final dividend of 1.29p makes a 1.6365p (1.4885) total.

The group's interests are in confectionery and automotive accessories. The directors stated that the former is currently trading "at an equivalent level to last year" while sales and profits in the automotive division in the first quarter were higher than in the corresponding period of the previous year.

Turnover for the 12 months to April 30 increased by 10 per cent to £24.6m.

The directors said they were examining ways to exploit Armour's potential and believed the group was "in an excellent position to respond to a recovery in the economy."

Headway advances 15% to £0.27m

Headway, the consumer and industrial goods manufacturer announced pre-tax profits 15.3 per cent ahead at £272,000, against £236,000, for the year ended June 30.

This was boosted by a £194,000 net receipt from prior year business disposals and a reduction in interest charges from £568,000 to £137,000.

Turnover was down by 12 per cent at £24.9m (£28.3m). Sales in the consumer products division were down from £20.6m to £17.9m, a fall Mr Denis Cassidy, chairman, attributed to the "low level of demand for garden furniture in the critical final quarter".

Earnings per share rose by 23.1 per cent to 1.6p (1.3p) and an unchanged, single, final dividend of 0.7p is recommended.

Improvement for Seafield Resources

For the first six months of 1993 turnover of Seafield Resources, the USM-quoted oil and gas exploration company, fell from £3.62m to £2.79m but net profits came through up at £216,000 against £190,000.

Earnings per share were unchanged at 0.4p and, as usual, there is no dividend.

The directors stated that, as planned, the company moved firmly into the drilling phase of exploration, participating in the completion of five wells, three in the UK and two overseas.

Reduced losses at Dragon Oil

Dragon Oil, the Dublin-based oil and gas explorer formed through the takeover of Kirkland by Oliver Resources in April, has reduced its net loss for the six months ended April 30 from I£100,000 to I£95,000 (£89,000).

Revenue from oil and gas sales was I£62,000 (nil).

Losses per share declined to 0.04p (0.1p).

As the result of a series of farm-out arrangements Dragon is now the largest foreign owner of Philippine exploration acreage and will open an office in Hong Kong in October.

The company is also seeking a listing for its shares on the Hong Kong Stock Exchange.

ECONOMIC DIARY

TODAY: Mr Constantine Mitsotakis, Greek prime minister, to announce government's future economic policy at opening of Salonika trade fair. European Community foreign ministers hold informal meeting at Limburg, Belgium.

MONDAY: National Food Survey: household food consumption (second quarter). Producer price index numbers (August). Capital issues and redemptions (August). European Parliament in session in Strasbourg (until Friday). European Community economic and finance ministers meet in Brussels. Norwegian general elections. South African parliament opens special session to debate/approve transitional bills charting steps to all-race elections. Nato military committee holds conference in Salonika (until September 16).

TUESDAY: Index of output of the production industries (July). Company liquidity (second quarter). US retail sales (August); consumer price index (August); real earnings (August) and current account (second quarter). European Community environment council meets in Brussels.

WEDNESDAY: Retail prices index (August). Retail sales (August). US business inventories (July). Radical farmers threaten 24-hour blockade of Paris to demonstrate their opposition to the European Community agricultural policy.

THURSDAY: Public sector borrowing requirement (August). United Kingdom National Accounts 1992 (CSO Blue Book). Machine tools (July). Labour market statistics: unemployment and unfilled vacancies (August-provisional); average earnings indices (July-provisional); employment, hours, productivity and unit wage costs; industrial disputes. Labour force survey (March-May). Unctad releases trade and development report, examining trade policies of major industrialised nations and their effect on developing countries. British Tourist Authority annual report.

FRIDAY: Mr John Major, prime minister, starts visit to Tokyo and Far East.

LIFFE EQUITY OPTIONS

Option		Calls			Puts		
[illegible]							
Grand Met	420	19	30½	37	11½	23	26½
(*425)	460	4	13½	20½	38½	48½	52½
Ladbroke	200	9	19	20½	12	17½	23½
(*201)	220	3	10½	13	27	31	36½
Utd Biscuits	360	17½	30	33½	14	23	31½
(*365)	390	6	17	21	35½	41½	50
Option		Oct	Dec	Mar	Oct	Dec	Mar
Fisons	160	15	18	24	5	9	13
(*168)	180	4½	8½	15	15	21	25½

Option		Calls			Puts		
[illegible]							
(*38)	40	1	4	5½	3	5	6
Barclays	500	8½	31	42½	5	17½	28½
(*505)	550	7	10½	20	47½	50½	57½
Blue Circle	280	6	17½	28½	4½	17½	23½
(*280)	300	1	9	18	22	30½	31½
British Gas	330	4	13	21	3½	15	20
(*330)	360	1	4½	10	31	38½	40
Dixons	220	16½	27	33½	1½	8½	15
(*234)	240	3	16½	23	8½	19	25

[illegible]								
PUTS								
Sep	½	½	1½	4½	22½	66	116	166
Oct	4½	8	15½	27½	48	70½	123	173
Nov	12	18	28	44	64	92	127	171
Dec	20½	29	41	57	77½	105	137	175
Jun †	–	76	–	118	–	158	–	216

September 10 Total Contracts 21,945
Calls 14,889 Puts 7,056
FT-SE Index Calls 3,517 Puts 2,477
Euro FT-SE Calls 3,071 Puts 616
*Underlying security price. †Long dated expiry months.
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	33	HSBC (75p shs)	54	Ratners	4	Brit Land	33
Allied-Lyons	45	Charter Cons.	55	Hanson	17	Reed Intl	52	Land Sec.	53
Amstrad	3½	Comm Union	46	ICI	45	Sears	7½	MEPC	37
Astec (BSR)	3½	Courtaulds	43	Ladbroke	15	SmKl Bchm A	34	■ OILS	
BAT Inds	39	Eurotunnel	40	Legal & Gen	38	TI	28	Arcon Intl.	6
BOC	49	FKI	12	Lex Service	34	TSB	15	Aviva Pet	9
BT	26	FNFC	9	Lloyds Bank	45	Tesco	17	BP	25
BTR	28	Forte	17	Lonrho	10½	Thorn EMI	75	Burmah Castrol	60
Barclays	38	GKN	40	Lucas Inds	12	Tomkins	18	Premier Cons	2½
Blue Circle	21	Gen Accident	52	Marks Spencer	27	T & N	16	Shell	46
Boots	40	GEC	25	NatWest Bank	28	Unilever	72	■ MINES	
Bowater	37	Glaxo	40	P & O Dfd	50	Vickers	12	RTZ	82
Brit Aerospace	28	Grand Met	36	Racal Elect	20	Wellcome	52		
British Steel	10	GRE	17	Rank Org	53	■ PROPERTY			

FT FIXED INTEREST INDICES

	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Year ago	*High	*Low
Govt Secs (UK)	102.64	102.54	102.69	102.47	101.85	95.83	102.94	93.28
Fixed Interest	124.94	125.04	124.98	124.51	124.14	105.46	125.20	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains*	5-Day Average
Sep 9	129.8	115.3
Sep 8	130.2	116.5
Sep 7	98.4	139.6
Sep 6	91.1	154.5
Sep 3	129.7	154.6

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

LME throws out copper lifeline

THE LONDON Metal Exchange threw out a lifeline this week to investors struggling against the tide of support buying that has distorted copper market prices throughout the summer.

Taking the view that a lacklustre world economy and excessively high stocks of the metal pointed to a substantial slide in copper prices, these investors made forward sales of copper they did not have in the hope of being able to make covering purchases at lower prices before their short positions fell due for delivery.

But they reckoned without the technical "squeeze" that has propped up the market since mid-June. While LME warehouse stocks were climbing to a 15-year high tonnes, supplies available for immediate deliver dried up. This was reflected in the normal cash discount (the "contango" in trade jargon), which reflects the costs of holding physical metal, being replaced by a premium (or "backwardation").

The culprit, LME traders alleged, was the Japanese Sumitomo metals group, which they suggested might be preparing for a large-scale physical copper deal. Sumitomo, however, has denied manipulating the market.

The LME first made known its uneasiness about the situation on July 14 when it warned that it was monitoring the copper market. Two week's later it went a step further. Mr David King, the chief executive, strode on to the trading floor to remind members that exchange rules gave the board draconian powers to ensure that there was an orderly market. "We wanted to make clear what powers we have and that we won't hesitate to use them," he said later.

But hesitate they did, much to the annoyance of many of the shorts. It was not until Wednesday of this week, by which time the cash/three months backwardation had grown from nil to $80, that the exchange decided to act.

Mr King strode once more on to the floor to announce that the cash/one day backwardation would until further notice be limited to $5 a tonne. If shorts were unable to roll over due positions by "borrowing" (simultaneously buying cash and selling forward) in the market at a premium of less than that level they could keep their positions open for another day by paying a $5-a-tonne fee to the exchange.

Subsequently the cash/three months spread narrowed to $42 a tonne, still $2.25 higher than at the end of last week, but, more importantly, the September/October backwardation, which includes the most critical delivery dates, came in from $55 to $35 a tonne. Traders noted that trading in the copper options market market since Mr King's declaration had concentrated on calls (selling options) for the near months and puts (buying options) for January, indicating that traders expected relatively tight conditions to remain for most of this year but to ease in 1994.

With the squeeze perceived to be on the way out the market has begun to reflect the fundamental supply/demand situation that led the speculators to go short in the first place. The three months position closed yesterday at $1,890.50 a tonne, down $64 on the week. In early trading yesterday it twice bounced of the $1,880 mark, a breach of which level, London broker GNI suggested in its daily Commodity Report, would "indicate a sell-off to around $1,700".

"There are bound to be some nervous moments in copper as tight September and October dates unwind, but I only see three months headed one way," one LME trader told the Reuter news agency.

LME aluminium values also lost ground, partly because of spill over bearishness from copper. Traders said the contract's chart picture had broken down as selling pressure from US investment funds and commission houses triggered stop-loss selling orders. The three months price steadied by $3.75 yesterday to close at $1,140.50 a tonne, but that was still $21.75 down on the week.

At the London bullion market the gold price suffered another significant setback as the computer programmes used by some New York funds sent out fresh "sell" signals on Tuesday. The London price plunged $10.10 a troy ounce that day and $2.50 the next. Thursday saw a $2.40 rally in response to the Bundesbank's interest rate cuts, but the New York bears were in control again yesterday and the price ended the week $14.40 down at $349.85 an ounce, the first close below $350 since late April.

The London Commodity Exchange's robusta coffee futures moved to fresh 2¼-year highs as the commencement of the export retention scheme on October 1 drew closer and producers talked of lifting the scheme's guide prices to ensure that the planned 20 per cent would be held off the market. The recent price rise has made it likely that under the agreed arrangements retention will be scaled down to 10 per cent, or even suspended altogether, by the time the scheme comes into force. The November position closed yesterday at $1,296 a tonne, up $68 on the week, after peaking at $1,320.

Supply worries maintained the upward pressure in the LCE cocoa market, where the December futures position touched £875 yesterday, before closing at £856 a tonne, up £30 on the week.

In contrast oil prices, depressed by continuing Opec oversupply, slumped to three-year lows. At London's International Petroleum Exchange the November Brent crude futures position was trading late yesterday at $15.90 a barrel, down 86 cents on the week.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+15,850	to 2,132,900
Copper	+4,450	to 526,150
Lead	+275	to 292,275
Nickel	1,500	to 110,328
Zinc	+3,750	to 774,600
Tin	+325	to 21,575

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Sep 10	Day's change %	Thu Sep 9	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	129.05	+0.08	128.95	2.85	7.91
2	5-15 years (23)	158.62	+0.11	158.45	1.96	8.39
3	Over 15 years (9)	176.18	+0.19	175.85	8.89	9.70
4	Irredeemables (6)	207.11	+0.33	206.43	2.70	8.83
5	All stocks (61)	151.91	+0.12	151.73	1.76	9.03
	Index-Linked					
6	Up to 5 years (2)	167.51	-0.03	167.56	0.64	3.41
7	Over 5 years (11)	183.65	+0.24	183.22	0.61	3.79
8	All stocks (13)	183.15	+0.21	182.77	0.61	3.74
9	Debs & Loans (66)	144.28	-0.21	144.58	2.12	7.56

AVERAGE GROSS REDEMPTION YIELDS

			Fri Sep 10	Thu Sep 9	Year ago (approx.)	1993 High		1993 Low	
	British Government								
1	Low	5 years	6.35	6.34	8.62	7.22	29/4	6.32	8/9
2	Coupons	15 years	7.00	7.01	8.63	8.37	12/1	6.98	8/9
3	(0%-7¾%)	20 years	7.13	7.14	8.83	8.64	29/1	7.11	8/9
4	Medium	5 years	6.49	6.49	9.73	7.86	11/1	6.43	8/9
5	Coupons	15 years	7.13	7.14	9.03	8.83	19/1	7.12	8/9
6	(8%-10¾%)	20 years	7.21	7.22	8.90	9.05	20/1	7.21	10/9
7	High	5 years	6.86	6.89	9.98	7.78	11/1	6.83	8/9
8	Coupons	15 years	7.37	7.39	9.28	9.11	20/1	7.37	8/9
9	(11%-)	20 years	7.39	7.41	9.11	9.20	20/1	7.39	10/9
10	Irredeemables(Flat Yield)		7.31	7.33	9.01	9.05	20/1	7.31	10/9
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	2.82	2.49	4.75	3.03	26/8	1.32	1/2
12	Inflation rate 5%	Over 5 yrs.	3.18	3.20	4.88	3.59	14/1	3.18	10/9
13	Inflation rate 10%	Up to 5 yrs.	1.77	1.73	3.91	2.31	17/6	0.82	12/2
14	Inflation rate 10%	Over 5 yrs.	3.02	3.03	4.48	3.72	14/1	3.02	10/9
15	Debs &	5 years	7.72	7.65	10.73	9.07	4/1	8.41	15/3
16	Loans	15 years	8.05	8.03	10.44	9.94	19/1	8.14	10/3
17		25 years	8.20	8.18	10.28	10.10	19/1	8.38	10/3

Publishing operations lift earnings at Paramount

By Karen Zagor in New York

PARAMOUNT Communications, the US media group which is rumoured to be considering merging with Viacom Communications, yesterday posted net earnings of $120.4m, or $1.01 a share, for its fiscal first quarter.

A year earlier, the publishing, entertainment and theme parks group earned $114.3m or 96 cents. Revenues rose to $1.35bn from $1.06bn. The improvement was led by near-record operating income from Paramount's publishing operations and from sharply higher contributions from its entertainment business.

On Wall Street, shares in Paramount rose $2¼ to $59 at mid-session. The stock gained $1¾ on Thursday amid speculation that Paramount was discussing a stock-swap with Viacom which would value Paramount at about $60 a share. The companies would not comment on the rumours, but it is believed that Mr Martin Davis, Paramount's chairman and chief executive has had informal discussions with Viacom's chairman Mr Sumner Redstone, for several years.

Paramount has been looking for a merger partner since 1989, when its $200-a-share bid for Time failed.

Martin Davis: believed to have had talks with Viacom chief

A merger between Paramount and Viacom would create a company with extensive cable and broadcast operationsas well as film and publishing businesses. Paramount, with 1992 revenues of $4.27bn, owns a leading film studio and television production company, as well as the Simon & Schuster book publishing house and New York's Madison Square Garden sports arena.

Viacom, with 1992 revenues of $1.86bn, is one of the most powerful players in cable television. Its networks include MTV, Nickelodeon and Showtime. Viacom is expanding overseas. MTV has recently entered Japanese and Latin American markets, and has a growing presence in Europe. The company also has an impressive television library of classic American television shows.

During the first quarter, Paramount's entertainment division posted operating income of $89m, up from $60.8m a year earlier. Results benefited from a number of box-office successes including The Firm and Indecent Proposal. Paramount said its entertainment results also benefited from significantly higher operating income form its theme parks.

Madison Square Garden, however, deepened its seasonal loss. Paramount's publishing division posted record quarter revenues for the three months ended July 31, led by strong gains from its educational books.

Operating income from Paramount's television programming fell in the quarter. Although syndication sales of popular shows such as Cheers and Star Trek: the Next Generation advanced in the quarter, results at Paramount's jointly-owned cable operation, USA Networks declined in the quarter.

Japanese steelmakers see wider losses

By Emiko Terazono in Tokyo

JAPAN'S leading steel companies, hit by the prolonged economic slump and the higher yen, warned of pre-tax losses for the current year to next March.

The announcements by Kawasaki Steel, NKK, Kobe Steel, and Sumitomo Metal Industries, follow Nippon Steel's downward profit revision earlier this week. Japan's steel companies have been hit by the sharp fall in demand from its leading customers, including the car, electronics and construction industries.

Although the companies had forecast first-half losses, they had hoped an economic recovery in the second half would support profits for the whole year. But the economy has remained lacklustre, and the appreciation in the yen is delaying an upturn. The companies said they would omit interim dividend payments.

Kawasaki predicted a non-consolidated pre-tax loss of Y8bn ($49m) for the year on sales of Y1,040bn. It now expects a first-half pre-tax loss of Y8bn instead of Y5bn as previously estimated.

Sumitomo Metal said it would post pre-tax losses of Y9bn on full-year sales of Y1,110bn. Its interim pre-tax loss will widen to Y9bn from the initial estimate of Y5bn.

NKK expects to break even for the year on a 0.5 per cent rise in sales to Y1,270bn. For the first half, it will book profits of Y10bn from a change in accounting method and Y10bn from sales of part of its securities portfolio. However, it predicts an interim pre-tax loss of Y15bn on a 7 per cent fall in sales to Y560bn.

Kobe Steel hopes to break even on a pre-tax profit basis on sales of Y1,100bn. For the first half to September, Kobe expects pre-tax losses of Y9bn on sales of Y550bn.

Fortis takes ASLK-CGER stake

By Ronald van de Krol in Amsterdam

FORTIS, the Dutch-Belgian financial services group, yesterday agreed to take an initial 25 per cent stake in ASLK-CGER, the Belgian state-owned savings group, for BFr15bn ($425m), as a first step towards acquiring a 50 per cent holding for a total of BFr35bn.

The deal, which hinged on yesterday's agreement by the Belgian government to amend national legislation, effectively paves the way for the first big privatisation under the country's four-year programme of selling off state assets to reduce the budget deficit.

Fortis, which is jointly owned by Amev of the Netherlands and AG of Belgium, will deposit BFr15bn into an escrow account next week to pay for the 25 per cent stake. The company will be given a put option on these shares in case final agreement cannot be reached on the remaining 25 per cent stake.

It aims to buy a further 24.9 per cent stake by October 15 for BFr20bn. The remaining 0.1 per cent stake will be transferred on January 1, 1995, completing ASLK-CGER's transformation into a 50-50 private-public partnership.

Under the legislative amendments approved in Brussels yesterday, the Belgian government will be allowed to reduce its stake in ASLK-CGER to a minimum of 25.1 per cent. A Fortis spokeswoman in the Netherlands said the company may be interested in lifting its stake above 50 per cent eventually, but added that this was premature.

The company is examining how it will pay for its stake in ASLK-CGER, which, like Fortis itself, is active in insurance and banking.

Indosuez recovers to FFr320m

By Alice Rawsthorn in Paris

BANQUE Indosuez, one of France's leading investment banks and a subsidiary of the Suez holding company, saw net profits recover from FFr81m in the first half of 1992 to FFr320m ($37m) in the same period this year, helped by windfall profits from the European currency crisis.

The bank, which is heavily exposed to the Paris property market and was last year forced to make steep provisions for its property losses, said the improvement in this year's interim profits reflected growth in operating income and tight cost control.

Indosuez was again forced to make substantial provisions of FFr1.31bn on property and financial losses during the first half of 1993, against FFr1.39bn at the interim stage last year. However, its gross operating profits rose from FFr1.66bn to FFr2.63bn over the same period and costs were static.

The company said it had made "substantial profits" from capital and money market instruments by benefiting from the changes in interest and exchange rates during the first half.

It warned that the growth in gross operating profits might slow down during the second half because of the sluggish economic environment and more stable state of the capital markets.

Belgian cement group falls 13%

CBR GROUP, the Belgian cement manufacturer, announced a 13.4 per cent drop in net consolidated profit for the first six months of 1993, from BFr1.45bn to BFr1.26bn ($36m), and warned that its net results for 1993 could be "slightly below" those of 1992, writes Andrew Hill in Brussels. Restructuring of its North American activities had led to extraordinary charges of BFr252m, compared with BFr19m last time.

IT industry 'to change radically'

By Alan Cane in Barcelona

A RADICALLY different information technology industry will emerge over the next few years through consolidation in the semi-conductor business and the disintegration of the traditional computer industry.

This was the view of industry leaders speaking yesterday at a major industry conference in Barcelona. The Etre conference brings together leading figures from the industry each year for two days of discussions and presentations.

Mr Bill Gates, chairman of Microfsoft, the world's largest personal computer software company, said that within three years software houses would no longer market complete applications programs as at present. Instead, they would develop pieces of software which could be connected together into complex systems.

He predicted that within a few years, 90 per cent of personal computers would have Microsoft's best-selling Windows program built in. The latest development in Microsoft's family of Windows operating systems, codenamed Cairo, would emerge from the laboratory in 18 months, he said. The new system would have advanced features such as voice and handwriting recognition built in.

Mr Gates said that developments in the computer industry would lead to an information-rich society in which individuals might have to take explicit steps to avoid bombardment with data. He said aeroplanes, hotels and theme parks were the obvious candidates for sites where people could be supplied with virtually unlimited information.

Mr Jerry Sanders, chief executive of AMD, a US semi-conductor company, warned there would be no place for small, independent semi-conductor companies in the volume IT markets of the late-1990s. He said the costs of research and development coupled with the expense of building plants capable of manufacturing chips with features smaller than half a millionth of a metre meant that only the largest companies like Intel and AMD would be left to fight it out.

Man in the News, Page 8

Scoop puts Unilever on US map

Frank McGurty on Kraft's sale of its entire frozen dessert business

ICE CREAM is one of life's simple pleasures, but keeping pace with the fickle tastes of ice cream fanciers has become a complex challenge for the world's big consumer products groups.

For Unilever, the Anglo-Dutch group and Europe's biggest ice cream producer, the product accounts for an estimated 30 per cent of its food profits. But for Kraft General Foods, America's largest producer, ice cream has been a source of repeated frustration. Growth has been lacklustre, its margins soft and the market share of its key brands – Breyers and Sealtest – has eroded.

This week Kraft, part of the Philip Morris tobacco and food group, decided that it had had enough. It announced that Unilever had agreed to buy its entire US frozen dessert business, with annual sales of about $500m. Added to Unilever's existing US turnover of about $200m, the acquisition vaults the Anglo-Dutch group to the top of the US league table, with almost a fifth of a market worth about $3bn annually. Terms of the transaction were not disclosed but analysts say the price was about $300m.

For Unilever, the move represents another step in a strategy of diversifying its product range in the US, and follows its purchase of several smaller US ice cream concerns. The acquisition "puts Unilever on the map" in the US, says Mr Jack Salzman, who follows the food industry for Goldman Sachs, the New York securities house.

Indeed, the size of the Kraft business and the strong name recognition of the Kraft brands offer Unilever an opportunity to build on its strengths, and perhaps to replicate its success in the $4bn European market, where it commands a 40 per cent share.

Until now, Unilever has focused on the so-called "novelty" segment, with ice cream bars and other confections made for immediate consumption. The Kraft business, which packages most of its products in large containers and sells them through supermarkets, introduces Unilever into the US bulk ice cream sector, the biggest part of the market. At the same time, however, Unilever inherits many of the problems faced by Kraft.

Overall, sales of bulk ice creams are growing at a sluggish 2 per cent rate, according to Nielsen Market Research. Breyers and Sealtest are faring even worse, with the brands' combined sales contracting in the year to June 15. The duo still commands more than 15 per cent of supermarket sales; and Breyers is still number one, but its share and the size of its lead have been shrinking.

The challenge has come at both the high and low ends. On one hand, consumers have shown more willingness to seek out bargains, as they have in many grocery categories. Generic or "private label" ice creams now account for more than 28 per cent of supermarket sales. Growth has largely come at the expense of the national brands such as Sealtest on the lower end of the branded spectrum.

In response to strong price competition, Kraft was forced virtually to "give the product away", according to Mr Howard Waxman, editor of the Ice Cream Reporter, an industry newsletter. Operating margins were hovering at about 2 per cent, according to one analyst's estimate, much less than the 8 to 10 per cent margins which Kraft realises on its more profitable lines.

The highest profitability in the business is found at the opposite end – the super-premiums. By catering to the whimsy of ice cream fanciers and their inclination to indulge in the best quality, spare-no-expense super-premiums such as Ben & Jerry's Homemade and Grand Metropolitan's Häagen Dazs have flourished, while the premium segment, led by Breyers, has wilted. As part of its acquisition, Unilever picks up Kraft's super-premium ice cream, Früsen Gladje.

With the Kraft brands being squeezed at both ends, what attractions did the business hold for Unilever?

Mr Salzman points out that the deal provides Unilever with an excellent channel for distributing its novelty lines to US supermarkets. Production facilities in several states are also included. However, Unilever may need to invest heavily in building its own direct-to-store distribution system if it expects the business to grow – a move Kraft was reluctant to make.

While the acquisition will bolster Unilever's US presence, it also presents dangers. Margins are far less than it realises in its European ice cream business, and Breyers and Sealtest show little promise of rebounding.

Consequently, most observers expect the group will look for "synergies". One possibility is Unilever using the Breyers name to create cross-over products which capitalise on the unusual flavours and ingredients of its novelty lines.

Unilever declined to comment on its plans for the business. It has the luxury of time. The acquisition comes at summer's end and the group can wait several months before acting. It is apparent, however, that a fresh marketing strategy is essential if Unilever is to succeed where Kraft did not.

"If they are going to stand pat, then they probably haven't done a smart thing in buying the business," says Mr Waxman. "But if they are going to create something new, then Unilever may just pull the rabbit out of the hat."

French car parts company halts payments

By John Ridding in Paris

CHAUSSON, the French automobile company which is jointly owned by Peugeot and Renault, said yesterday that it was suspending payments.

The group, which manufactures parts for France's two largest automobile groups, said that it was forced into the decision by an increasingly difficult financial situation and the failure of Renault and Peugeot to agree on a restructuring package. Renault and Peugeot both own 48.5 per cent of the company's shares.

Under French company law, Chausson will present its application to suspend payments at a commercial tribunal. An administrator should then be appointed.

The company said it will continue its production activities. These include the manufacture of parts for the Renault Trafic, a small van, and for a Peugeot utility vehicle. Until last March it had also produced parts for the Peugeot 205.

Renault said yesterday it had been willing to pay half of a restructuring package, estimated at FFr170m ($30m) for this year, if Peugeot would pay the other half.

Peugeot declined to comment yesterday.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1993	Low 1993
Gold per troy oz.	$349.85	-14.4	$340.25	$405.75	$326.05
Silver Per troy oz	265.50p	-34.3	192.10p	362.50p	236.00p
Aluminium 99.7% (cash)	$1120.5	-21.5	$1272.0	$1240.00	$1108.00
Copper Grade A (cash)	$1932.5	-62.0	£1242.5	$2375.00	$1106.50
Lead(cash)	$384.5	+6.5	£327.0	$460.00	$376.50
Nickel (cash)	$4572.5	+105.0	$6937.5	$6340	$4467.5
Zinc SHG (cash)	$875.5	+4.0	$1365.0	$1112	$858.0
Tin (cash)	$4560.0	-37.5	$6695.0	$6047.5	$4560.0
Cocoa Futures (Dec)	£856	+30	£821	£861	£663
Coffee Futures (Nov)	$1298	+68	$786	$1297	$836
Sugar (LDP Raw)	$242.5	+0.5	$254.2	$317.4	$204.5
Barley Futures (Jan)	£104.55	+0.70	£112.70	£110.30	£101.50
Wheat Futures (Jan)	£104.00	-1.25	£115.60	£149.45	£103.95
Cotton Outlook A Index	55.05c	+0.05	55.80c	62.35c	54.80c
Wool (64s Super)	319p	-8	368p	403p	319p
Oil (Brent Blend)	$15.885x	-0.925	$20.425	$19.53	$15.685

Per tonne unless otherwise stated. p-pence/kg. c-cents lb. x-Oct.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$13.70-3.79u	-0.375
Brent Blend (dated)	$15.32-5.35	-0.435
Brent Blend (Oct)	$15.67-5.70	-0.405
W.T.I (1 pm est)	$16.73-6.75	-0.355
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$189-191	-1
Gas Oil	$160-161	-2
Heavy Fuel Oil	$61-63	-1
Naphtha	$147-149	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)‡	$348.85	-4.30
Silver (per troy oz)‡	412.00c	-15.0
Platinum (per troy oz)	$358.25	+0.60
Palladium (per troy oz)	$120.25	+2.40
Copper (US Producer)	90.00c	-1.0
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.54m	-0.14
Tin (New York)	214.0c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	124.56p	-2.90*
Sheep (live weight)†♣	80.27p	-2.97*
Pigs (live weight)†	65.48p	-3.31*
London daily sugar (raw)	$242.5	+0.5
London daily sugar (white)	$263.8	-2.2
Tate and Lyle export price	£266.8	-0.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£172.0	
Wheat (US Dark Northern)	£166.5u	
Rubber (Oct)♥	60.00p	-0.50
Rubber (Nov)♥	60.25p	-0.50
Rubber (KL RSS No 1 Jul)	214.5p	
Coconut oil (Philippines)§	$427.5v	-2.5
Palm Oil (Malaysian)§	$357.5	
Copra (Philippines)§	$290.0	
Soyabeans (US)	£188.0	-2.0
Cotton "A" Index	55.05c	
Wooltops (64s Super)	319p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Sep/Oct u-Oct l-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ‡ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)			
White	Close	Previous	High/Low
Oct	273.00	266.00	273.30 267.50
Dec	269.00	262.80	269.00 264.00
Mar	271.70	265.30	271.70 [illegible]
May	273.50	268.70	273.50 269.50

White 1131 (1034) Paris- White (FFr per tonne): Oct 1516.38 Dec 1514.15

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Oct	15.80	16.00	16.07 15.47
Nov	15.93	16.24	16.29 15.74
Dec	16.23	16.40	16.41 15.97
Jan	16.36	16.60	16.40 16.19
Feb	16.50	16.75	16.52 16.38
Mar	16.77	16.88	16.79 16.57
Apr	16.88	17.03	16.88 16.80
May	16.95	17.11	16.95 16.90
Jun	17.10	17.25	17.10 17.04
IPE Index	16.07	16.05	16.07

Turnover 50598 (37768)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low
Sep	158.75	158.75	158.75 158.00
Oct	158.50	160.00	160.50 158.75
Nov	158.00	161.75	162.00 157.50
Dec	160.25	163.75	164.00 159.50
Jan	162.50	165.25	163.75 161.50
Feb	162.75	166.25	163.50 162.00
Mar	161.25	163.75	[illegible]
Apr	159.75	162.50	160.50 159.75
Jun	160.00	160.50	160.00 158.00

Turnover 20968 (17174) lots of 100 tonnes

SPICES
Black pepper prices advanced further, reports Man Producten, as replacement levels continued to climb. And there was more demand for decorticating black into white. White pepper prices stabilised at high levels. European stocks have dwindled as demand from the US has intensified. White: Muntok/Sarawak f.a.q. for September/October delivery was quoted at $3,800 a tonne, with spot supplies at $4,000. Black Sarawak black label spot was $1,950 a tonne and for September/October $1,925. Yellow label spot was $2,075a tonne, and September/October $2,000. Brazilian grade 1 spot was offered at $1,850 a tonne.

COCOA – LCE (£/tonne)	Close	Previous	High/Low
Sep	825	827	[illegible]
Dec	856	861	875 854
Mar	880	884	900 876
May	891	892	908 886
Jul	899	902	917 900
Sep	911	911	927 909
Dec	925	925	941 929
Mar	938	939	948 937
May	946	950	955 946
Jul	955	955	

Turnover 8470 (7464) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 9 882.19 (889.98) 10 day average for Sep 10 864.53 (848.03)

COFFEE – LCE ($/tonne)	Close	Previous	High/Low
Sep	1372	1365	1384 1360
Nov	1298	1297	1320 1295
Jan	1276	1265	1295 1273
Mar	1265	1259	1280 1262
May	1263	1253	1278 1261
Jul	1260	[illegible]	1268

Turnover: 5809 (4100) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 9 Comp. daily 73.22 (71.32) 15 day average 70.16 (69.77)

POTATOES – LCE (£/tonne)	Close	Previous	High/Low
Apr	81.6	82.0	82.0 81.0
May	94.5	94.8	94.5 94.0

Turnover 49 (96) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)	Close	Previous	High/Low
Sep	1448	1458	1445
Oct	1495	1486	1500 1490
Nov	1498	1485	1500
Jan	1497	1485	1500 1490
Apr	1529	1516	1530 1525
BFI	1412	1409	1412

Turnover 109 (118)

GRAINS – LCE (£/tonne)			
Wheat	Close	Previous	High/Low
Sep	100.50	100.45	100.25
Nov	102.20	101.95	102.20 101.90
Jan	104.20	103.95	[illegible]
Mar	106.25	106.00	106.25 105.90
May	108.45	108.20	108.45 108.00
Barley	Close	Previous	High/Low
Sep	100.65		100.25 100.00
Nov	102.50	101.75	102.25
Jan	104.65	104.15	104.40
Mar	[illegible]	106.30	106.55 106.50
May	107.85	107.40	107.80 107.50

Turnover: Wheat 268 (365) Barley 33 (32).
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 44,849 lots
Cash	1120-1	1116-7	1117/1115	1115-6		
3 months	1140-1	1136.5-7.0	1142/1132.5	1135-5.5	1142-3	250,893 lots
Copper, Grade A ($ per tonne)						Total daily turnover 65,758 lots
Cash	1932-3	1955-7	1948/1930	1947-8		
3 months	1890-1	1913-4	1895/1878	1895-6	1898-9	179,089 lots
Lead ($ per tonne)						Total daily turnover 3,488 lots
Cash	384-5	384.5-5.5	385	382.5-3.0		
3 months	398-8.5	398-9	400/396	397.5-8.0	396-7	23,317 lots
Nickel ($ per tonne)						Total daily turnover 6,949 lots
Cash	4570-5	4515-30	4585/4580	4580-5		
3 months	4615-25	4565-70	4645/4570	4640-1	4590-600	48,357 lots
Tin ($ per tonne)						Total daily turnover 1,854 lots
Cash	4555-65	4570-80	4532	4532-3		
3 months	4605-10	4620-30	4610/4575	4585-90	4590-5	10,724 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 16,800 lots
Cash	875-6	878-9	875.5	875.5-6.0		
3 months	891.5-2.0	894-5	893/887	891-1.5	886-6.5	79,792 lots

LME Closing £/$ rates: SPOT: 1.5490 3 months: 1.5391 6 months: 1.5306 9 months: 1.5[illegible]

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	349.60-350.10	
Opening	354.20-354.60	
Morning fix	356.00	230.123
Afternoon fix	351.50	226.774
Day's high	355.50-356.00	
Day's low	348.00-349.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.58	6 months	2.56
2 months	2.65	12 months	2.55
3 months	2.59		

Silver fix	p/troy oz	US cts equiv
Spot	276.95	427.75
3 months	280.80	430.90
6 months	284.45	434.20
12 months	291.80	441.85

GOLD COINS	$ price	£ equivalent
Krugerrand	354.00-357.00	228.00-231.00
Maple leaf	359.80-362.10	-
New Sovereign	84.00-87.00	54.00-57.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1125	34	65	6	15
1150	18	49	14	24
1175	8	35	28	35
Copper (Grade A)	Calls		Puts	
1900	31	58	36	60
1950	15	40	71	110
2000	5	26	111	146
Coffee LCE	Nov	Jan	Nov	Jan
1200	132	137	36	61
1250	101	110	55	84
1300	75	87	79	111
Cocoa LCE	Dec	Mar	Dec	Mar
775	94	126	13	21
800	76	108	20	28
825	59	91	28	36
Brent Crude	Oct	Nov	Oct	Nov
1650	3	23		
1700		13		
1750		7		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Sep	350.2	351.2	0	0
Oct	350.7	351.0	356.1	348.5
Nov	351.5	352.7	0	0
Dec	352.4	353.6	358.2	350.0
Feb	354.1	355.2	359.4	351.0
Apr	355.7	356.8	359.9	353.0
Jun	357.3	361.5	360.0	355.0
Aug	358.9	360.0	359.0	359.0
Oct	360.5	361.6	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	355.7	359.6	362.0	353.0
Jan	357.3	360.9	361.5	[illegible]
Apr	358.8	362.4	363.5	358.0
Jul	359.8	363.2	364.5	361.5

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Sep	406.5	421.8	426.5	407.5
Oct	407.7	423.0	0	0
Nov	410.0	425.4	0	0
Dec	410.0	427.7	431.0	408.0
Jan	410.3	426.0	411.5	411.5
Mar	414.0	429.8	435.5	413.0
May	416.8	432.6	433.0	415.0
Jul	419.4	435.2	434.5	419.0
Sep	422.0	437.9	433.0	430.0
Dec	426.3	442.4	447.0	425.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Sep	82.75	84.70	82.90	82.10
Oct	82.85	84.80	82.80	82.35
Nov	82.90	84.90	82.95	82.60
Dec	83.00	85.00	83.30	82.20
Jan	83.20	85.10	83.00	82.65
Feb	83.40	85.15	83.00	83.00
Mar	83.60	85.25	83.60	83.00
Apr	83.80	85.35	84.60	84.60
May	84.00	85.50	84.30	83.80
Jun	84.15	85.80	85.00	84.70

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Oct	16.86	16.97	17.05	16.36
Nov	17.20	17.36	17.40	16.79
Dec	17.50	17.68	0	17.14
Jan	17.74	17.90	0	17.40
Feb	17.88	18.10	17.89	17.64
Mar	18.02	18.27	18.16	17.85
Apr	18.30	18.41	18.33	18.05
May	18.37	18.54	18.37	18.20
Jun	18.56	18.64	18.55	18.31
Jul	18.53	18.74	18.60	18.50

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Oct	51.15	51.39	51.80	[illegible]
Nov	52.10	52.38	52.35	50.85
Dec	53.10	53.33	53.40	51.90
Jan	53.80	54.03	53.80	52.80
Feb	54.00	54.38	54.10	53.25
Mar	53.50	53.79	53.50	52.85
Apr	52.75	52.93	52.75	52.20
May	52.10	52.18	52.10	51.80
Jun	51.50	51.78	51.50	51.20
Jul	51.80	52.03	51.80	51.45

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Sep	1080	1063	1100	1057
Dec	1151	1144	1165	1157
Mar	1201	1192	1214	1190
May	1225	1215	1240	1215
Jul	1245	1235	1260	1260
Sep	1265	1255	1260	1264
Dec	1289	1279	1300	1300
Mar	1316	1306	0	0
May	1335	1325	1335	1330

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Sep	80.00	76.00	80.00	78.40
Dec	83.15	78.80	83.50	80.80
Mar	85.30	81.10	85.45	83.10
May	86.50	82.50	86.50	84.35
Jul	87.75	83.65	86.65	86.40
Sep	88.75	85.00	88.50	88.00
Dec	91.50	88.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	9.39	9.09	9.47	9.08
Mar	9.85	9.58	9.88	9.59
May	9.95	9.74	9.98	9.76
Jul	10.03	9.84	10.10	9.85
Oct	10.05	9.88	10.08	9.88

COTTON 50,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	57.82	55.78	57.75	56.95
Dec	59.34	57.30	59.34	58.55
Mar	60.92	59.00	60.84	59.95
May	61.55	59.83	61.20	60.50
Jul	62.26	60.05	61.80	61.82
Oct	62.74	60.45	61.70	61.70
Dec	62.68	60.60	62.50	61.60

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Sep	116.35	119.95	118.10	116.35
Nov	118.85	122.55	120.75	118.80
Jan	120.70	123.75	122.40	120.80
Mar	121.85	124.95	123.40	121.75
May	122.55	125.95	123.50	122.55
Jul	121.50	126.95	121.50	121.50
Sep	122.50	126.95	127.25	127.25
Nov	122.75	126.95	0	0
Jan	122.75	126.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep 10	Sep 9	mnth ago	yr ago
1634.8	1630.0	1623.0	1508.9

DOW JONES (Base: Dec. 31 1974 = 100)	Sep 9	Sep 8	mnth ago	yr ago
Spot	122.44	121.79	124.76	118.24
Futures	127.10	126.26	128.11	114.71

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Sep	623/6	642/2	633/0	620/0
Nov	620/2	642/4	632/0	616/0
Jan	625/4	646/2	637/0	621/4
Mar	631/0	653/2	642/0	627/0
May	633/2	656/4	646/0	630/4
Jul	634/2	659/6	647/4	632/4
Aug	633/0	657/2	645/0	633/0
Sep	617/0	637/6	634/0	617/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Sep	22.74	23.32	23.08	22.61
Oct	22.88	23.35	23.15	22.62
Dec	22.88	23.55	23.26	22.78
Jan	22.94	23.64	23.30	22.82
Mar	23.03	23.72	23.40	22.88
May	23.05	23.73	23.43	22.92
Jul	[illegible]	23.71	23.33	22.95
Aug	22.90	23.58	22.96	22.90

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Sep	196.1	204.3	202.5	197.5
Oct	195.0	201.3	199.0	194.1
Dec	194.3	200.9	198.2	193.5
Jan	194.6	201.5	198.5	194.2
Mar	196.1	202.7	200.0	195.7
May	196.8	203.4	200.5	196.8
Jul	198.7	204.8	202.0	197.2
Aug	199.0	204.0	202.0	197.5

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Sep	226/2	226/6	228/6	226/0
Dec	235/0	234/4	238/0	234/6
Mar	243/2	242/6	245/6	243/0
May	248/4	248/2	250/6	248/2
Jul	251/4	251/2	254/0	251/0
Sep	248/0	247/0	251/0	248/0
Dec	245/2	243/4	247/0	243/6

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Sep	295/4	303/4	299/4	294/4
Dec	306/0	312/0	309/4	305/0
Mar	311/2	316/2	313/4	310/2
May	303/0	311/2	310/6	307/6
Jul	301/4	303/0	302/0	299/4
Sep	305/4	307/4	306/4	305/0
Dec	315/0	315/0	315/0	312/4

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	75.550	75.875	75.600	75.125
Dec	75.825	75.825	75.875	75.350
Feb	76.250	76.200	76.300	76.000
Apr	76.800	76.900	76.300	76.600
Jun	73.375	73.500	73.425	73.350
Aug	72.250	72.250	72.350	72.250
Oct	72.775	72.850	72.950	72.775

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Oct	48.675	48.775	49.050	48.450
Dec	48.250	48.000	48.750	47.950
Feb	46.975	47.500	47.675	46.800
Apr	45.150	45.550	45.700	45.075
Jun	49.575	49.725	49.950	49.500
Jul	48.550	48.700	48.800	48.550
Aug	47.350	47.550	47.400	47.350
Oct	43.925	43.950	43.950	43.800

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	51.200	52.775	53.250	51.175
Mar	50.675	52.200	52.750	50.625
May	51.900	53.350	53.350	51.900
Jul	52.200	53.000	53.500	52.200
Aug	52.425	52.425	0	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up sharply on yen

THE DOLLAR appreciated sharply against the Japanese yen yesterday, amid increasing signs that the authorities in Tokyo were looking at ways to reduce their trade surplus with the US, *writes James Blitz*.

In European trading, the dollar opened very strongly at around Y105.60 and pierced the Y106 level in early trade. It failed to break through the Y106.65 level, which is seen by many traders as a key chart point. It later closed at Y106.25.

In recent weeks, there have been increasing signs that the Japanese authorities are seeking another substantial fiscal stimulus to their economy later this year, a move which would allay US pressure to push up the yen as a means of reducing the trade surplus.

The Bank of Japan's tankan report also showed weakness in the domestic economy, reinforced expectations of such a fiscal boost. It also led to renewed speculation of another cut in Japan's official discount rate, which is currently at 2.5 per cent.

Another factor pushing the dollar higher may have been reports that the Japanese foreign minister had said that Tokyo could set targets for the reduction of the trade surplus.

This was seen as another example of how accommodating the Japanese are proving to be on the trade issue. "There has never been any suggestion thus far from Japan about targets," said Mr Ian Gunner, an economist at Chase Manhattan bank in London. "There could be a lot of pressure on the yen next week."

Against the D-Mark, the dollar continued to look weak, hindered by producer prices figures which showed a 0.6 percentage point fall in August, compared to forecasts of a 0.2 percentage point rise.

The very low level of inflation has added to the view that there is little upward presure on US interest rates. The dollar was more or less unchanged at DM1.5980.

In the European exchange rate mechanism, most currencies performed a little more strongly against the D-Mark. On Thursday, the French franc and Belgian franc had been unchanged after the Europe-wide cuts in interest rates. Yesterday, dealers appeared to be taking the view that the monetary easing had been rather more modest than anticipated, giving them a reason to buy the currencies.

The French franc closed at FFr3.511 from FFr3.525 while the Belgian franc closed at BFr21.47 from BFr21.75.

Sterling closed at DM2.4750 from a previous DM2.4775. This was in spite of trade figures which showed that, in the three months to June, the UK imported £3.3bn more than it exported, a slightly narrower deficit than in the previous quarter.

£ IN NEW YORK

Sep 10	Latest	Previous Close
£ Spot	1.5535-1.5545	1.5490 1.5500
1 month	0.37-0.35pm	0.37 0.35pm
3 months	1.06-1.03pm	1.06 1.03pm
12 months	3.17-3.07pm	3.22 3.12pm

Forward premiums and discounts apply to the US dollar

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5480	1.5454	1.5386	1.5308	1.5173
D-mark	2.4750	2.4770	2.4797	2.4824	2.4823
French Fr.	8.6900	8.6917	8.6931	8.6946	8.6947
Swiss Fr.	2.1600	2.1581	2.1538	2.1480	2.1339
Yen	164.50	164.09	163.18	161.93	159.65

MONEY MARKETS

Caution continues

DEALERS in most European cash and futures markets continued to be very cautious about the prospect for further monetary policy easing in Europe after the Bundesbank's rate cut on Thursday, *writes James Blitz*.

Dealers in German markets continued to take the view that the ½ percentage point cut in the discount rate was a technical move to restore a gap between the repo rate and the interest rate floor – and that this may have been the last policy easing before November.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The near-term Euromark futures contracts continued to fall back, as they did on Thursday. The December contract was down 5 basis points at 94.03 at the close.

Conditions in the cash market were not a lot easier than they had been on Thursday, with call money being quoted in a broad range of seven to 7.25 per cent. The market continued to be dogged by the low level of bidding in the weekly repo and the recent low usage of rediscount funds.

In the French market, interest rate futures were a little stronger towards the end of trading, partly because of the franc's better performance against the D-Mark in the European afternoon. The December contract was trading at around 93.99 towards the close, up 4 basis points on the day.

The Belgian franc futures market continued to look as though it belonged to a different epoch of trading. The September contract rose 105 basis points, to close at around 90.50, indicating expectations of sharp cuts in rates. This followed Belgium's cut in its important central rate by ¼ of a percentage point, to 10.25 per cent, on Thursday.

The cut in Belgian official rates has been accompanied by a dramatic fall in 3 month money this week from about 13 per cent on Monday to around 9¾ per cent yesterday. But the Belgian authorities are clearly not prepared to decouple interest rate policy from the Bundesbank.

Sterling interest rate futures were given a slight lift from the latest trade figures, which showed a slight narrowing in the deficit. The December contract rose 3 basis points to close at 94.39.

Conditions in the cash market were soft after the easy removal of a £700m shortage. Three month money again closed at around 5⅝ per cent, but with a slightly narrower spread.

FINANCIAL FUTURES AND OPTIONS

OPTIONS ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
121	-	-	-	-	0.29	-
122	-	1.75	-	0.10	0.52	-
123	0.81	1.13	-	0.36	0.89	-
124	0.20	0.66	-	-	1.41	-
125	0.05	0.36	-	-	-	-
Open Int	53,313	179,841	25,880	37,745	183,099	15,773

Estimated volume 34,394 † Total Open Interest 468,921

† All Yield & Open Interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday September 8, 1993		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	2,273,955,850	+	858,942,038
Bankers Deposits	1,577,302,126	+	114,131,239
Reserve and other Accounts	3,306,141,590	+	45,339
	7,171,952,566	+	971,118,616
ASSETS			
Government Securities	1,369,430,133	+	94,650,000
Advance and other Accounts	4,599,561,701	+	174,910,380
Premises Equipment & other Secs	1,192,427,498	+	697,130,061
Notes	10,309,092	+	4,428,103
Coin	224,082	+	52
	7,171,952,566	+	971,118,616
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	17,159,690,908	-	384,428,103
Notes in Banking Department	10,309,092	+	4,428,103
	17,170,000,000	-	380,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	7,252,015,923	+	40,389,666
Other Securities	9,906,968,977	-	420,389,668
	17,170,000,000	-	380,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	10	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	* (in administration)	
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. Φ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £137¹¹⁄₃₂
Exchequer 10½% Stk 2005 - £127⅛ 127⅜ ZZ129½ (7Se93)
Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £136 (3Se93)

Corporation and County Stocks

Bristol(City of) 11½% Red Stk 2008 - £127¼ (8Se93)
Glasgow Corp 3½% Ird Stk - £35 (3Se93)

Lucas Industries PLC 10⅞% Bds 2020 (Br£10000&100000) - £122.7
Morgan Guaranty Tst Co of New York 12⅜% Dep Nts 1994(Br£1000&10000) - £102.04
National Grid Co PLC 7⅜% Bds 1998 (Br £ Var) - £102¼ ⅞ 3¼ (8Se93)
National Power PLC 10⅝% Bds 2001 (Br £10000&100000) - £117⅞ (6Se93)
National & Provincial Bldg Society 10¼% Subord Bds 2006/11 - £119⅛Φ
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £122⅜ ½ (8Se93)
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Br - £122½Φ

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Ladbroke Group Finance(Jersey)Ld 9% Cnv Cap Bds 2005 (Br£5000&100000) - £104 (8Se93)
Land Securities PLC 6¾% Cnv Bds 2002(Br£1000) - £102⅝ (6Se93)
Land Securities PLC 9⅜% Cnv Bds 2004 (Br£5000&50000) - £121¾ (8Se93)
Lasmo PLC 9½% Nts 1999 (Br £ Var) - £106¾ (8Se93)
Leeds Permanent Building Society 7½% Nts 1997(Br£Var) - £102
Leeds Permanent Building Society 7⅜% Nts 1998 (Br £ Var) - £101⅝ (8Se93)
Leeds Permanent Building Society 10½% Subord Bds 2018 (Br £Var) - £120⅞ 1
Lewis (John) PLC 10¼% Bds 2006(Br£1000&10000) - £117⅞
Lloyds Bank PLC 9⅝% Subord Bds 2023 (Br £ Var) - £114.45 5¼
London Electricity PLC 8% Bds 2003 (Br £ Var) - £105⅝ (8Se93)

Petroleos Mexicanos 14½% Ln Stk 2006 - £124½ 5½
Portugal(Rep of) 9% Ln Stk 2016(Reg) - £111⅞ 2⅞ (3Se93)
Sweden(Kingdom of) 9¾% Ln Stk 2014(Reg) - £120.325 ⅜ (8Se93)
Sweden(Kingdom of) 13.5% Ln Stk 2010(Reg) - £131¾ (8Se93)

Listed Companies(excluding Investment Trusts)

AAH PLC 4.2% Cum Prf £1 - 64½
ASH Capital Finance(Jersey)Ld 9½% Cnv Cap Bds 2006 (Reg Units 100p) - £101 (8Se93)
Aberdeen Trust PLC A Wts to Sub for Ord - 25
Abtrust Atlas Fund Shs of NPV(Sterling Portfolio) - £1.121 (8Se93)

...

Capital & Counties PLC 9⅞% 1st Mtg Deb Stk 2027 - £119¼ (8Se93)
Capital & Counties PLC 11¼% 1st Mtg Deb Stk 2021 - £132 .075 ⅛ ⅛ (8Se93)
Carlisle Group PLC 4.38% (Net) Red Cnv ... 1998 £1 - 50 60 (8Se93)
Carlton Communications PLC ADR (2:1) - $22.95 (8Se93)
Carlton Communications PLC 7½% Cnv Subord Bds 2007(Reg 25000) - £129¼
Caskat PLC 10.25% Cum Prf £1 - 130
Centex Corporation Shs of Com Stk $0.25 - $38.525 (7Se93)
Charlwood Alliance Hldgs Ld 7½% Uns ... Stk 50p - 40
Cheltenham & Gloucester Build Soc 11¾% Perm Int Bearing Shs £50000 - £129¼
Chester Waterworks Co Ord Stk - £590 (7Se93)
Chillington Corporation PLC Warrants to sub for Ord - 1
Chillington Corporation PLC 9½% Cum ... Prf £1 - 98
Chillington Corporation PLC 9% Cnv Uns ... Stk 1999 - £75 (8Se93)
City Site Estates PLC 5.25% Cnv Cum ... Prf £1 - 49 (7Se93)
Clayhithe PLC 9.5% Subord Cnv Uns Ln ... 2000/01 - £95
Cleveland Place Holdings PLC 10½% ... Deb Stk 90/95 - £100½ (8Se93)
Cleveland Place Holdings PLC 12⅛% ... Deb Stk 2006 - £135¾ (8Se93)
Co-Operative Bank PLC 9.25% Non-Cum ... Prf £1 - 130¾
Coastal Corporation Shs of Com Stk $0.33 1/3 - $29 ⅛ (8Se93)
Coats Patons PLC 4½% Uns Ln Stk 20... - £99½ (8Se93)
Coats Patons PLC 6¾% Uns Ln Stk 20... - £92 (8Se93)
Coats Viyella PLC 4.9% Cum Prf £1 - 7...
Cohen(A.) & Co PLC Non.V "A" Ord 20p - 250 (8Se93)
Colman(E.Alec)Investments Ld 6% Uns Ln Stk 91/96 - £94 (8Se93)
Commercial Union PLC 8¾% Cum Irred Prf £1 - 119 ¼ ½

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Paribas French Investment Trust PLC Wts "B" Warrants to sub for Ord - 36 7½ 8
Rights and Issues Inv Trust PLC 5½% Cum Prf £1 - 90 (8Se93)
Schroder Korea Fund PLC Ord $0.01 (Br) - $10½ (8Se93)
Scottish Mortgage & Trust PLC 8%-14% Stepped Interest Deb Stk 2020 - £164 (7Se93)
Shires High-Yielding Smlr Co's TstPLC Ord 50p - 141 2 (8Se93)
Shires Investment PLC Warrants to sub for Ord - 93
Sphere Investment Trust PLC Revised Warrants to sub for Ord - 4¼
TR City of London Trust PLC 10¼% Deb Stk 2020 - £126½
Throgmorton Trust PLC 12 5/16% Deb Stk 2010 - £138¼ ⅜ (7Se93)
Updown Investment Co PLC Ord 25p - 536 (8Se93)
Witan Investment Co PLC 8½% Deb Stk 2016 - £109¼ (7Se93)

USM Appendix

BLP Group PLC 8p (Net) Cnv Cum Red Prf 10p - 75 (8Se93)
Banner Homes Group PLC Ord 10p - 73½
Cooper Clarke Group PLC Ord 50p - 98 (8Se93)
Dakota Group PLC Ord Ir£0.25 - I£0.15 (8Se93)
FBD Holdings PLC Ord Ir£0.60 - I£1.9 (6Se93)
Gibbs Mew PLC Ord 25p - 320 (8Se93)
Great Southern Group PLC 6.75p Cum Cnv Red Prf 5p - 134 (8Se93)
Hoskins Brewery PLC Ord 50p - 63 4 6 7
Midland & Scottish Resources PLC Ord 10p - 10¾ 1
Ticketing Group PLC 7.75% Cnv Cum Red Prf £1 - 17 (8Se93)
Total Systems PLC Ord 5p - 62 (3Se93)

Rule 535(2)

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Southern Newspapers PLC Ord £1 - £3
Sun Oil Britain Ld Oil Royalty Stk Units 1p - 45
Thwaites(Daniel)& Co PLC Ord 25p - £2.15 (3Se93)
Tilleghur PLC Ord 5p - £0.18 0.19
Tracker Network PLC Ord £1 - £5½ 5.7 5.8 5.9
UAPT-Infolink PLC Ord 25p - £0.745Φ
Unicorn Inns PLC Ord 25p - £0.35
Vetinery Drug Co PLC Ord £1 - £2.8 (7Se93)
Vista Entertainments PLC Ord 5p - £0.0075
Weetabix Ld "A" Non.V Ord 25p - £12.4

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv. A$2.04
Cape Range Oil A$0.78 (8/9)
City Developments S$2.64
Forest Laboratories £23.25 (8/9)
Idaho Power Co. $31.75Φ
McCarthy Group 56.0 (3/9)
National Electronics Hldgs. 3.0
North Flinders Mines A$12.15
Oil Search 30.0
Samantha Hldgs. Berhad A$2.0792
Sapphire Mines 3.5 (8/9)
Storer Communications $IC382.27 (8/9)
Walhalla Mining Co. A$0.13

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FT-SE ACTUARIES INDICES

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Modest rally in the blue chip stocks

By Terry Byland,
UK Stock Market Editor

A CAUTIOUS and somewhat faltering rally on the London stock market yesterday reflected hopes that, following the Bundesbank's action this week, the next cut in UK interest rates will not be long delayed. A temporary respite from the flow of company trading results took some of the pressure off the market as it waited for next week's list of corporate and economic data.

But the recovery was erratic, and the Footsie twice came close to re-testing its overnight levels before closing 5.8 up at 3,037. Towards the end of the session, rumours of another sizeable rights issue call revived, with the hotels group in the frame this time.

The FT-SE Index has fallen by a further 20.3 points this week – the first leg of the trading account. But the FT-SE Mid 250 Index, up 7.4 at 3,476.3 yesterday, reduced the week's setback to no more than a few points.

The announcement that Banque Indosuez was closing down the institutional investor side of Carr Kitcat & Aitken, two long-established names in the London stock market, confirmed rumours that have circulated for some weeks. However, the French bank's decision underlined the pressures still felt in the marketplace despite the return to generally profitable trading volumes in equities.

Government bonds had a quiet session, although at the close the longer dates were extending recent gains and small rises in near-dated stocks indicated hopes of a cut in base rates sooner rather than later. Little attention was paid to statistics on the UK trade gap for the second quarter of the year.

A further gain in Glaxo shares represented about a half of the overall gain in the Footsie. But Glaxo was well balanced by weakness elsewhere in drug stocks as the US dollar weakened. SmithKline Beecham suffered again from doubts over the UK stock market index rating of the units.

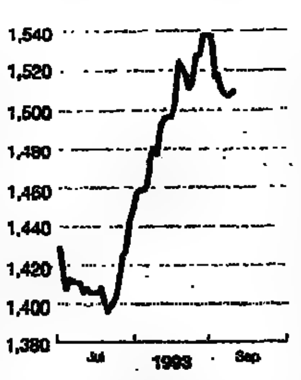
Against this background, there was little optimism to be discerned behind yesterday's share price rally. S.G. Warburg referred in its weekly client briefing to the "cautious tone" of many of the companies reporting trading progress, stressing that overseas earnings are a key element.

Seaq volume fell to 596m shares yesterday from 726.8m on the previous day, with non-Footsie stocks making up around 64 per cent of the total. retail, or customer business, strengthened to a worth of £1.56bn on Thursday.

Account Dealing Dates		
*First Dealings: Aug 16	Sep 6	Sep 20
Option Declarations: Sep 2	Sep 16	Sep 30
Last Dealings: Sep 3	Sep 17	Oct 1
Account Day: Sep 13	Sep 27	Oct 11

*New time dealings may take place from two business days earlier.

FT-A All-Share Index



FDA move knocks SmithKline

MORE bad news hit SmithKline Beecham shares yesterday when the drugs group failed to obtain US approval for a mild version of Tagamet, its anti-ulcer drug.

The Anglo-American pharmaceuticals group had applied to the US Food and Drug Administration (FDA) to sell a diluted form of the treatment without prescription as an antidote to heartburn. However, at a meeting late on Thursday, the FDA came back with a series of questions that had to be dealt with before approval could be given.

A favourable decision could have added between $200m and $300m a year to the company's earnings. It would also have countered the effect of Tagamet coming off patent in the US next May.

In the event, the decision added to news that SmithKline Units might be withdrawn from the FT-A Actuaries indices if new rules are imposed by the Stock Exchange. The shares fell 12 to 417p yesterday with some dealers talking of switching into Glaxo. Glaxo shares continued strong following Thursday's surprise dividend hike. There was heavy buying in the US late on Thursday and further buying in London yesterday which saw the shares rise 12 to 640p.

Forte rights talk

Talk of an imminent rights issue by Forte produced a late flurry of trading, sending shares in the hotel group down sharply at the close. The rumours were firmly denied after the market closed by Forte.

Dealers said that a big seller in the market, by touting around different broking houses for prices, had prompted marketmakers to mark quotations lower.

However, the rights issue story excited imaginations most, given Forte's debt situation, with speculation that such a call would be in excess of £500m. Forte has said previously that any such move would only be made to accompany an acquisition. Forte shares closed 5¼ off at 237p.

Reuters strong

International news and information organisation Reuters Holdings advanced 24 to 1554p, buoyed by news about its Globex trading system.

The after hours electronic dealing mechanism was developed by Reuters and is owned by the main Chicago trading exchanges, the CBOT and CME.

It suffered after the London International Financial Futures Exchange said it would not join forces with the *CBOT* and *CME* because of a clash over its lucrative German government bond future contract. Yesterday, it was announced that the talks were back on track.

The morning after the night before at Babcock International found investors slightly more forgiving of Thursday's profits warning and the shares slipped back just 1¾ to 29¾p. Turnover was another huge 29m, demonstrating good two-way business in the engineering group.

Analysts attending a meeting with the management yesterday said that a rights issue was a near certainty to mend the balance sheet, with talk of a £50m 1-for-3 needed by the year-end.

Electricity and water utility stocks surged as investors bought on yield considerations. Smith New Court was said to be recommending the water stocks, although the house refused to comment. All the waters saw hefty rises, among them Severn Trent up 13 at 556p, South West 15 to 580p and Yorkshire 16 to 565p. Among the Recs, East Midlands gained 11 to 530p, Manweb 10 to 592p and Yorkshire 8 to 574p.

Mining company RTZ fell 12 to 713p on a downgrade from a London brokerage house, adverse press comment and lower copper prices.

Swiss Bank moved to a sell from buy based on a bearish outlook on the dollar and copper prices. There was also press comment that RTZ would find it difficult to match its interim 15 per cent profits rise in the second half. Finally, dealers said copper's early weakness, falling more than $23 to a low of $1,877, was another factor. Uncertainty over the outlook for base metal prices as the global economies struggle to recover from economic recession has restrained share prices in the sector.

Container leasing group Tiphook jumped 14 to 268p after revealing its first ever breakdown of container use.

Telecoms groups rebounded after the mauling earlier this week after the launch of Mercury's new cellular network, One-2-One. Sector analysts were busy advising clients on the likely developments in the industry following Mercury's sudden expansion into what is seen as a highly-prized market.

There was also talk that BT was closer to buying the 40 per cent stake in Cellnet owned by Securicor as a result of Mercury's move, although analysts said they believed such a development was not imminent. Estimates put Securicor's stake at around £1.5bn. BT shares gained 3 to 419½p, while Securicor ordinary climbed 8 to 1073p. Buying from across the Atlantic again helped Vodafone, ahead 4 at 493p.

An unimpressive meeting following the announcement of the results as well as the disclosure of further losses saw Ratners shares lose 2 to 32½p. The company also received approval to change its name to Signet with immediate effect.

August figures from BAA showed an increase in passengers handled of 4.6 per cent on the same period last year. The news helped the shares edge forward 2 to 820p. A recommendation from Kleinwort Benson was said to have aided the rise of Ocean Group, up 2 at 337p.

MARKET REPORTERS:
Christopher Price,
Peter John.

■ Other statistics, Page 11

CHIEF PRICE CHANGES YESTERDAY

London (Pence)			
Rises			
Allen	129	+	13
Armour Trust	51	+	3½
Assoc Fisheries	174	+	10
Enviromed	128	+	11
Green (Ernest)	100	+	10
Hall Eng	269	+	15
Haywood Williams	325	+	11
Laing (J) A	315	+	12
Linton Park	270	+	25
MR Data Mgmnt	223	+	9
Meyer Int	414	+	20
National Power	363½	+	11
P & P	70½	+	4½
[illegible]	235	+	12
S & U	316	+	18
Severn Trent	556	+	13
Tiphook	268	+	24
Yorkshire Water	585	+	16
Falls			
AAF	51	–	8
English China	434	–	12
Hewetson	40	–	5
Ratners	32½	–	2
Smith (David S)	384	–	19
SmKl Beecham A	417	–	12

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (146).

BRITISH FUNDS (8) OTHER FIXED INTEREST (1) AMERICANS (1) Citicorp, BREWERS (2) Wetherspoon (JD), Whitbread, BLDG MATLS (8) Brit, Grafton, Heywood Williams, Do. Cv. Pf., Marshalls, Meyer, BUSINESS SERVS (1) Barco, CHEMS (3) Halstead (J), Leigh 6pc Cv. Pf., Porvair, CONGLOMERATES (2) Ropner, Do A, CONTG & CONSTRCN (10) Allen, Ashtead, Avonside, Bellway, CALA, Countryside, Green (E), Laing (J), Do N/V, Sherif, ELECTRICALS (4) Delta, Marrler Bsnls, Pifco, Do A, ELECTRICITY (7) Eastern, London, Midlands, National Power, Norweb, Powergen, Yorkshire, ELECTRONICS (5) Alba, Electron House, Industrial Control, Sanderson, Unitech, ENG AERO (1) ML, ENG GEN (6) Hall, Meggitt, Protean, Starling, Sytone, Vosper Thornycroft, FOOD MANUF (4) Armour, Assoc. Fisheries, Devro, Linton Park, FOOD RETAILING (1) Ashley 9%pc Pf., HEALTH & HSEHOLD (1) Enviromed, HOTELS & LEIS (2) Pelican, Ramadens (H), INSCE BROKERS (1) Oriel, INV TRUSTS (22) Aberforth Split Level Units, Abtrust New Thai, Do Wts., Abtrust Pf., Bats Global Emerging Mkts., Drayton Recovery Pfd. Growth, ECU, Edinburgh Inv., English & Cal. Inv., General Consld. Sppd. Pf., German Smlr. Cos., Jersey Phoenix, Jos Zero Pf., London Atlantic, Mid Wynd, Oriental Smlr Cos., River & Mercantile Sppd. Pf., Scottish National Zero Pf., St. Davids Zero Pf., Sumit, TR Technology Zero Pf., Whitbread, Yeoman Zero Pf., MEDIA (7) Abbott Mead Vickers, Adscene, CIA, Metro Radio, Southnews, Ulster TV, WPP, MERCHANT BANKS (1) Wintrust, MISC (8) Charming, Flogatone, Great Southern, Hobson, Lincat, Lincoln House, Norbain, Osborne & Little, MOTORS (8) Evans Halshaw, Lookers, Do. 8pc Pf., Pendragon, TLS Range, Trinity, OIL & GAS (1) Calor, OTHER INDLS (3) Amber, Vinten, PACKG, PAPER & PRNTG (3) AD, Arjo Wiggins, Capital, Huntons Armley, MR Data Management, PROP (14) Aedo 5%pc Pf., British Land, Capital & Regl., Daejan, Davies (CY), Debenham Tewson, Estates & General 6pc Pf., Frogmore, Gt. Portland, Green Prop., MEPC, Peel, RPS, Slough 8%pc Pf., Smith (J), STORES (3) Asprey, Carsons, Marks & Spencer, TEXTS (4) Albion, Allens, Fernmaster, Jerome, TRANSPORT (3) Natl. Express, Norex, Norfolk, Ocean, Seacon, WATER (3) Mid Kent, Severn Trent, South West.

NEW LOWS (13).

BRITISH FUNDS (2) Exch. 12¼pc '94, Treas. 14½pc '94, AMERICANS (3) Amdahl, Bowater Inc., WMX, CANADIANS (1) Breakwater Res., CONTG & CONSTRCN (1) Amco, ENG GEN (2) Ferrum, Ransomes, HEALTH & HSEHOLD (1) Baxter Intl., MISC (1) PI, OTHER INDLS (1) AAF.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets in London had a quiet session, trading within narrow ranges as professional traders took a cautious view of equity markets, writes Terry Byland. In stock index futures, the September contract, which expires at the end of next week, reached both the peak and the low of the session within two hours of the opening.

At the official close, the September contract was trading at around a three-point premium to the cash market; fair value on the contract is now at zero. Trading volume was low at 9,409 contracts.

There was some roll-over into the December position, which held on to most of its estimated 21-point fair value premium, on 2,406 contracts.

Turnover in traded options fell from Thursday's 41,557 contracts to 22,360, with the FT-SE contract less active at 6,371 contracts against 10,188. The Euro FT-SE (3,631 contracts) headed the list of individual options, with BT (3,040) close behind as investors reacted to the increased competition in the mobile phones market.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
British Land	616	400	+7
British Steel	4,200	110	–½
Bunzl	139	145	+1
Burmah Castrol†	160	775	+2
Burton	2,500	76	
Cable & Wire.†	987	693	–1
Cadbury Schweppes†	515	471	+1
Calor Group	49	286	
Carlton Comms.†	651	747	
Coats Viyella†	2,600	257½	+½
Comm. Union†	1,805	614	+7
Cookson	1,409	230	–2
Courtaulds†	4,550	523	+4
Johnson Matthey	182	459	–2
Kingfisher†	1,000	552	+5
Kwik Save	52	723	–1
Ladbroke†	1,400	201½	–1½
Land Securities†	2,100	665	+1
Laporte	311	635	–1
Legal & General†	1,000	455	+9
Lloyds Abbey	599	426	+2
Lloyds Bank†	2,500	549	–6
LASMO	2,000	134½	–2½
London Elect.	523	552	+7
Lonrho	1,600	119	
Lucas	1,300	158	
Redland†	401	581	+8
Ryl Bk Scotland†	804	305	+5
Royal Insurance†	1,600	314	–1
Saatchi	2,700	152	–1
Sainsbury†	540	462	–7
Scottish & New.†	88	476	–1
Scot. Hydro-Elect.†	833	371½	+4½
Scottish Power†	1,600	355½	+6½
Sears†	2,700	116	+½
Sedgwick	472	189	–1
Seeboard	104	600	+7
Severn Trent Water†	1,200	556	+13
Shell Transport†	4,400	653½	–½
Vodafone†	2,200	[illegible]	[illegible]
Warburg (SG)†	115	800	–2
Wellcome†	612	782	+1
Welsh Water	675	633	+15
Wessex Water	480	[illegible]	[illegible]
Whitbread 'A'†	1,200	548	–8
Williams Hldgs.†	3,500	332	+1
Willis Corroon	4,400	230	–4
Wimpey	1,100	164	–2
Wolseley†	95	640	
Yorkshire Elect.	1,200	574	+8
Yorkshire Water	[illegible]	585	+15
Zeneca†	3,180	728	–8

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FINANCIAL TIMES EQUITY INDICES

	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Year ago	* High	* Low
Ordinary share	2355.3	2358.7	2372.6	[illegible]	2396.8	1729.9	2414.2	2124.7
Ord. div. yield	3.94	3.91	3.88	3.88	3.85	5.17	4.52	3.82
Earning yld % full	[illegible]	4.61	4.59	4.58	[illegible]	[illegible]	[illegible]	4.51
P/E ratio net	27.45	27.70	27.79	27.88	28.07	17.02	28.30	19.40
P/E ratio nil	25.36	25.58	25.66	25.75	25.92	15.79	[illegible]	18.14
Gold Mines	159.7	[illegible]	149.3	170.0	177.2	68.0	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
[illegible]	2371.0	2369.5	2361.9	2365.3	2368.7	2368.2	2367.4	2365.1	2371.2	2361.9

Volume	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Year ago
SEAQ Bargains	[illegible]	27,757	25,662	26,855	28,285	[illegible]
Equity Turnover(£m)†	-	1981.3	[illegible]	1352.3	811.4	923.9
Equity Bargains†	-	29,767	28,767	29,827	32,378	20,914
Shares traded (ml)†	-	617.7	546.0	537.4	402.0	418.7

† Excluding intra-market business and overseas turnover.

London report and latest Share index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday September 10 1993

Gold Mines Index	+	149.92	Oil & Gas	+	15.45
Merchant Banks	+	62.36	Transport	+	14.92
Property	+	61.66	Packaging, Paper & Printing	+	14.75
Engineering-Aerospace	+	49.31	Water	+	13.75
Contracting, Construction	+	40.98	Insurance (Composite)	+	13.20
Metals & Metal Forming	+	38.76	Textiles	+	12.71
Building Materials	+	32.63	Business Services	+	12.02
FT-SE SmallCap ex Inv Tst	+	31.08	Hotels & Leisure	+	10.91
FT-SE SmallCap	+	30.98	Stores	+	10.88
Financial Group	+	29.34	FT-A All-Share	+	10.82
Banks	+	27.51	Other Groups	+	10.33
Electricity	+	26.17	Other Industrials	+	9.88
Investment Trusts	+	24.36	FT-SE-A 350	+	9.74
Electricals	+	23.91	Chemicals	+	8.88
Electronics	+	22.82	Conglomerates	+	8.65
Capital Goods	+	22.72	Telephone Networks	+	8.52
Motors	+	21.83	"500" Share Index	+	7.40
FT-SE Mid 250 ex Inv Tst	+	21.43	FT-SE 100	+	6.69
FT-SE Mid 250	+	21.43	Industrial Group	+	6.49
Engineering-General	+	20.97	Food Manufacturing	+	2.10
Insurance Brokers	+	18.44	Consumer Group	-	1.88
Media	+	16.94	Brewers & Distillers	-	6.70
Insurance (Life)	+	16.81	Food Retailing	-	10.58
			Health & Household	-	16.18

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.0665	-0.085	6.70	6.74	6.52
BELGIUM		9.000	[illegible]	112.3500	+0.250	7.16	7.31	7.07
CANADA *		7.500	[illegible]	105.4550	[illegible]	6.75	6.71	6.97
DENMARK		8.000	05/03	108.2000	+0.070	6.81	6.84	6.74
FRANCE	BTAN	5.750	11/98	100.3555	-0.154	5.66	5.69	5.67
	OAT	6.750	10/03	104.5000	+0.070	6.13	6.20	6.30
GERMANY		6.500	07/03	102.4700	-0.065	6.16	6.16	6.33
ITALY		10.000	09/03	105.0400	+0.020	9.42†	9.72	10.22
JAPAN	No 119	4.800	06/99	106.1155	-0.058	3.53	3.63	3.80
	No 157	4.500	06/03	103.0424	-0.473	4.07	4.06	4.16
NETHERLANDS		7.000	02/03	106.7600	+0.110	6.03	6.00	6.14
SPAIN		10.300	06/03	111.0000	-0.050	9.06	8.91	9.54
UK GILTS		7.250	03/98	103-25	+2/32	6.26	6.31	6.26
		8.000	06/03	106-17	+4/32	6.76	6.81	6.86
		9.000	10/08	117-01	+2/32	7.12	[illegible]	7.33
US TREASURY *		5.750	08/03	103-19	+14/32	5.23	5.32	5.61
		6.250	08/23	105-04	+1 ⅛	5.86	5.97	6.46
ECU (French Govt)		8.000	04/03	109.5700	-0.180	6.62	6.66	6.83

London closing, *denotes New York morning session Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal *Technical Data/ATLAS Price Sources*

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	37	18	23	190	129	77
Other Fixed Interest	2	4	9	21	24	30
Commercial, Industrial	305	265	848	1,426	1,423	4,244
Financial & Property	191	142	488	745	816	2,544
Oil & Gas	18	15	48	66	124	216
Plantations	0	1	7	1	4	35
Mines	40	28	59	123	278	274
Others	49	41	30	119	254	232
Totals	651	515	1,511	2,693	3,052	7,651

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

FT-SE Actuaries Share Indices THE UK SERIES

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Hourly movements

FT-SE Actuaries 350 Industry Baskets

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ						
AIB Orchard American	5	150.9	159.4	168.6	-1.10	0.00
AIB Orchard Equity	5	219.8	222.9	235.8	+0.50	1.31
AIB Orchard Euro	5	177.0	178.8	189.3	+0.80	0.30
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corporation St, Coventry						
Abbey Unit Tst Mngrs (1000)H						
Brown Shipley UT Mngrs (1000)F						
Bryceourt Unit Tst Mngmt Ltd (1400)F						
Burrage Unit Tst Mangmt Ltd (0800)F						
117 Fenchurch St, London EC3M 5AL						
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 4AH						
Canada Life Unit Tst Mngrs Ltd (1200)F						
High St, Potters Bar, Herts. EN6 5BA						
Cannon Lincoln Fd Mngrs Ltd (1200)H						
MGM Unit Managers Ltd (1000)F						
MGM House, Heene Rd, Worthing						
Dealing: 0277 251010						
MW Investment Managers Ltd (0800)F						
Maldon Unit Trust Managers Ltd (1400)F						
M&P Unit Trust Management Ltd (1200)F						
36 Fountain St, Manchester M2 2AF						
M&P UK Growth	5½	69.22	70.00	74.51	+0.02	2.62
M&P UK Income	5½	107.16	108.10	115.10	+0.20	3.46
M&P Gilt & Fixed Inc	3½	78.33	78.90	83.80	-0.05	5.51
M&P Higher Income	5½	210.60	215.00	229.80	+0.30	4.49
M&P Smaller Co's	5½	78.66	79.61	84.91	+0.20	1.35
M&P International	5½	90.74	91.88	97.84	-0.07	1.77

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

SS Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF						081-663 3003
European Trust	6	58.17	58.17	39.74	+0.2	1.48
Far Eastern Tst	6	67.16	68.07	72.42	-0.28	0.32
Smaller Cos	5	169.5	174.5	185.8	-0.2	1.53
Smith & Williamson Unit Tst Mgrs (1700)F						
1 Riding House St, London W1A 3AS						071-637 5377
S & W American	6	264.2	264.8	280.1	-3.6	0.57
S & W Capital	5	123.4	125.4	132.3	-0.9	1.46
S & W Cash	0	102.05	102.05	102.05	+0.01	5.51
S & W European	5	120.1	120.2	127.1	+0.9	0.72
S & W Far Eastern	5	159.0	160.8	170.1	-0.5	0.00
S & W Growth	5	132.8	134.3	142.1	-1.1	1.48
S & W Income	5	121.2	122.4	129.5	-0.1	4.57
S & W Magnum	5	120.9	129.9	139.4	-1.0	1.41
S & W Smlr Cos	5	341.0	348.0	368.2	-0.2	0.68
S & W Thoroughbred	5	152.3	162.3	163.4	-1.2	1.38
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth						0202 298422
Cash	1	50.15	50.15	50.65	+0.01	5.3
Ethical	5½	55.53	56.34	59.83	+0.19	3.6
European Growth	5½	63.30	63.67	67.61	+0.10	2.8
Income	5½	56.60	56.54	60.30	+0.14	5.4
Intl Growth	5½	85.34	85.90	91.42	+0.04	2.7
Managed	5½	73.46	74.36	78.23	+0.13	3.4
UK Growth	5½	58.87	59.65	63.63	+0.19	4.1
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ						0800 393777

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Providence Capitol Life Asse. Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Alpha Pension Funds				
UK Alpha	243.2		—	—
US Alpha	130.1		—	—
Gilt Alpha	91.1		—	—
Gold Alpha	82.7		—	—
Japan Alpha	46.4		—	—
US Dollar Alpha	74.1		—	—
Yen Alpha	80.4		—	—
DM Alpha	90.2		—	—
European Alpha	94.2		—	—

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Range (Pensions)				
Managed Fund	196.9		-0.3	-

Provident Mutual Life Assc. Assn.

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	437.7	460.7	-0.1	-
Managed Init	307.2	323.4	-0.1	-
Equity Ord	858.5	891.4	+0.3	-
Equity Init	461.1	485.4	+0.2	-
Index Linked Gilt Ord	204.6	215.4	+0.5	-
Index Linked Gilt Init	150.0	157.9	+0.3	-
Overseas Equity Ord	351.5	370.1	-0.6	-
Overseas Equity Init	240.5	253.9	-0.5	-
Property Ord	233.4	245.7	—	-
Property Init	163.8	172.4	—	-
Fixed Interest Ord	279.8	294.5	-0.4	-
Fixed Interest Init	196.4	206.7	-0.4	-
Deposit Ord	196.3	206.7	—	-
Deposit Init	139.2	146.5	—	-
Pension Funds				
Managed Ord	594.4	615.2	-0.1	-
Managed Init	410.2	431.8	-0.1	-
Equity Ord	908.2	956.0	+0.3	-
Equity Init	637.5	671.1	+0.4	-
Pen Ind Ukd Gilt Ord	233.4	245.7	+0.6	-
Pen Ind Ukd Gilt Init	171.1	180.1	+0.4	-
Overseas Equity Ord	413.5	435.3	-0.9	-
Overseas Equity Init	290.2	305.5	-0.7	-

Save & Prosper Group (z)

16-22 Western Rd, Romford RM1 3LB

	Bid Price	Offer Price	+ or -	Yield Gross
A.G. Bond Fd	140.8	149.0	+0.1	-
Bal Inv Fd	697.5	738.1	+0.2	-
Deposit Fd†	353.5	374.2	—	-
Directors' Portfolio	77.2	81.7	+0.3	-
Equity Pens Fd	178.5	188.8	+0.6	-
European Mngd Fd	61.0	64.6	—	-
Gilt Fd	514.3	544.3	-0.4	-
Gilt Pens Fd	141.4	149.7	-0.1	-
Global Equity Fd	216.0	228.6	-0.1	-
Global Eq Pens Fd	205.2	217.2	-0.1	-
High Int Pens Fd†	129.4	137.0	+0.2	-
Japanese Mngd Fd	74.4	78.8	-0.5	-
Managed Income Fd	50.4	53.4	—	4.82
Man Pens Fd	178.8	189.3	+0.2	-
North American Mngd Fd	65.9	69.8	-0.3	-
Pacific Mngd Fd	67.9	71.9	-0.8	-
Property Fd*	89.4	94.7	—	-
Prop Pens Fd*	114.7	121.4	—	-
Thornton Lenfort Managed	205.6	217.6	-0.4	-
UK Capital Portfolio	58.7	62.2	+0.2	-
UK Managed Gilt Fd	56.9	60.3	+0.1	-

†Weekly dealings. *Fortnightly dealings.

Scottish Amicable

150 St Vincent St, Glasgow

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	431.4	454.8	+0.20	-
Equity	545.1	574.0	-0.10	-
Property	248.4	261.5	+0.10	-
International	425.3	447.7	+1.90	-
Japanese	122.4	128.9	-0.50	-
Asia Pacific	149.9	157.8	+0.30	-
European	117.2	123.4	+0.10	-
American	150.0	157.9	+1.30	-
Fixed Interest	365.6	384.9	+2.70	-
Index-Linked Gilt	199.9	210.4	+0.80	-
Cash	222.3	234.0	+0.10	-
Life Funds (Second Series)				
Managed	120.3	126.7	—	-
Equity	117.4	123.6	—	-
Property	104.5	110.0	—	-
International	131.8	138.8	+0.60	-
Japanese	122.8	129.3	-0.30	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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John Govett (Channel Islands) Ltd (1000)F
6 Minden Place, St Helier, Jersey 0534 38578

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St Helier, Jersey 0534 604814

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 284242

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

Prudential Fund Managers (Jersey) Ltd
PO Box 163, St Helier, Jersey 0534 70099

Income (A & B)	5	210.3	210.30	220.80	-0.2 3.34
Growth (C & D)	5	316.80	316.80	332.6	-0.2

Bank Von Ernst & Cie AG - Contd.

Global Equity	$-	10.93	-	-0.03	-
Global Bond	$-	12.05	-	-0.02	-
Global Bond Div	$-	10.56	-	-0.02	-
Global Managed	$-	10.05	-	-0.02	-

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg

Barclays Diversified Portfolio
14 rue Aldringen L-1118 352 4799 2838

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404344

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3 pm)

CANADA (3 pm)

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

INDICES

NEW YORK

DOW JONES	Sep 9	Sep 8	Sep 7	Sep 3	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	[illegible]	[illegible]	3607.10	[illegible]	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	109.14	109.34	109.44	109.24	109.45 (30/8)	103.49 (11/1)	109.45 (30/8/93)	54.99 (1/10/81)
Transport	1603.88	1603.09	1613.17	1623.09	1683.05 (18/4)	1409.84 (4/1)	1683.08 (18/4/93)	12.32 (8/7/32)
Utilities	254.02	255.01	254.98	254.95	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3618.04 (3623.31) Low 3556.52 (3561.27) (Theoretical)
Day's High 3598.99 (3606.50) Low 3575.80 (3573.67) (Actual)

STANDARD AND POOR'S

	Sep 9	Sep 8	Sep 7	Sep 3	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	457.50	[illegible]	[illegible]	461.34	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials¶	515.17	514.76	517.46	521.69	524.99 (10/3)	[illegible] (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	47.67	46.97	[illegible]	46.97	47.67 (9/9)	39.69 (8/1)	47.67 (9/9/93)	8.64 (1/10/74)
NYSE Composite	253.74	253.10	254.59	256.22	256.86 (31/8)	238.21 (8/1)	256.86 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	463.35	451.08	[illegible]	461.57	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	737.71	730.73	[illegible]	749.71	749.71 (3/9)	645.87 (26/4)	749.71 (3/9/93)	54.87 (31/10/72)

	Sep 3	Aug 27	Aug 20	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.80	2.82	3.15
	Sep 8	**Sep 1**	**Aug 25**	**year ago (approx.)**
S & P Industrial div. yield	2.49	2.45	2.45	2.83
S & P Ind. P/E ratio	27.57	28.07	27.88	27.52

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Hanson	41,368,700	19½	+ ⅛
Royal Dutch	15,251,000	101⅝	+ 1⅛
Glaxo	4,806,300	21⅞	- 1⅛
Syntex Int	4,725,700	21⅞	- 1⅛
Citicorp	4,085,900	35⅝	+ 1⅛
Telefonos	3,067,100	52⅞	- ¼
Motorola	2,874,300	93¼	+ 1⅞
Gen Motors	2,548,900	46	+ 1⅛
Chase Bank	2,458,600	43¼	+ 2⅛
Ford Motor	1,889,600	52⅞	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 9	Sep 8	Sep 7
New York SE	257.127	278.880	229.321
Amex	17.443	20.422	21.334
NASDAQ	285.499	307.522	244.221
NYSE			
Issues Traded	2,613	2,632	2,607
Rises	1,131	587	758
Falls	871	1,424	1,238
Unchanged	611	611	611
New Highs	51	64	151
New Lows	24	35	15

CANADA

TORONTO	Sep 9	Sep 8	Sep 7	Sep 3	1993 HIGH	1993 LOW
Metals & Minerals	3024.52	2988.68	3039.85	3105.51	3140.94 (16/8)	2743.31 (21/1)
Composite	4009.32	3952.87	4023.71	4125.80	4143.70 (1/9)	3275.80 (21/1)
MONTREAL Portfolio	1906.63	1887.79	1906.43	1955.22	1983.55 (1/9)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

	Sep 10	Sep 9	Sep 8	Sep 7	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1991.5	1981.4	1989.5	1987.8	1977.10 (1/9)	1495.00 (13/1)
All Mining (1/1/80)	911.2	903.6	[illegible]	851.4	[illegible]	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Traded Index (2/1/91)	976.77	974.19	[illegible]	1002.17	1003.13 (6/9)	712.05 (15/1)
BELGIUM						
BEL20 (1/1/91)	1320.65	[illegible]	[illegible]	[illegible]	[illegible]	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	333.84	335.01	335.70	335.59	340.58 (13/8)	281.09 (4/1)
FINLAND						
HEX General (28/12/90)	[illegible]	[illegible]	[illegible]	1274.5	[illegible]	[illegible]
FRANCE						
CAC General (31/12/81)	581.44	584.52	585.88	591.21	608.51 (31/8)	471.34 (13/1)
CAC 40 (31/12/87)	2108.30	2108.75	2129.44	2137.20	2216.40 (31/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	722.73	725.52	722.30	735.27	746.41 (31/8)	598.92 (14/1)
Commerzbank (1/12/53)	2059.29	2068.4	2059.0	2093.4	2125.80 (31/8)	1684.20 (14/1)
DAX (30/12/87)	1881.44	[illegible]	1885.29	1885.96	1914.85 (31/8)	1510.00 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7593.45	[illegible]	7687.13	7548.71	7687.13 (8/9)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1714.88	1700.70	1707.13	1720.38	1754.84 (13/8)	1181.10 (11/1)
ITALY						
Banca Com. Ital. (1972)	597.51	592.84	594.18	608.75	632.85 (30/8)	446.33 (8/1)
MIB General (4/1/93)	1316.0	1304.0	1307.0	1348.0	1366.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20617.90	20825.55	20916.19	20982.10	21118.21 (8/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1677.58	1676.34	1682.82	1688.70	1698.57 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2283.35	2298.12	2302.55	2270.75	2304.97 (8/9)	1631.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	[illegible]	[illegible]	842.84	[illegible]	851.43 (3/9)	614.29 (13/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	379.9	378.7	378.0	374.9	385.20 (31/8)	295.70 (4/1)
CBS All Shr (End 1983)	242.4	242.3	241.8	245.9	252.30 (31/8)	188.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	979.17 (13/8)	[illegible] (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1919.22	1911.77	[illegible]	[illegible]	1919.22 (10/9)	[illegible] (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	512.97	515.43	[illegible]	518.95	518.95 (7/9)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1543.0¶	[illegible]	1476.0	[illegible]	[illegible] (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4538.0¶	4512.0	[illegible]	[illegible]	4718.00 (9/7)	[illegible]
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	777.25 (8/9)	[illegible]
SPAIN						
Madrid SE (30/12/85)	289.47	[illegible]	[illegible]	294.84	[illegible]	215.00 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1274.90	1281.6	1272.1	1294.4	[illegible]	[illegible]
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1031.40	[illegible]	1044.7	1047.3	1077.50 (25/8)	[illegible] (11/1)
SBC General (1/4/87)	813.80	[illegible]	[illegible]	[illegible]	854.70 (25/8)	[illegible] (11/1)
TAIWAN						
Weighted Price (30/6/66)	[illegible]	3941.30	[illegible]	3874.03	[illegible]	[illegible]
THAILAND						
Bangkok SET (30/4/75)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD						
M.S. Capital Intl.(1/1/70) $	599.3*	[illegible]	597.0	602.0	605.20 (2/9)	[illegible] (13/1)
Euro Top-100 (26/6/90)	1091.22	1098.25	1099.54	1103.65	1133.15 (30/8)	882.73 (13/1)

** Saturday September 4: Taiwan Weighted Price: [illegible], Korea Comp Ex: [illegible].
¶ Subject to official recalculation.

*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and [illegible] – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

WORLD STOCK MARKETS

AMERICA

Good inflation data, bonds support stocks

Wall Street

Good inflation news and a rally in bond prices helped stock markets to end a difficult week on a positive note yesterday, *writes Patrick Harverson in New York.*

At 1pm, the Dow Jones Industrial Average was up 20.68 at 3,610.17. The more broadly based Standard & Poor's 500 was 2.88 higher at 460.38, while the Amex composite was up 1.05 at 452.42, and the Nasdaq composite up 5.27 at 742.98. Trading volume on the NYSE was 150m shares by 1pm.

After three difficult trading days, when share prices either fell sharply or struggled to hold their ground, yesterday's announcement of a big fall in producer price inflation was welcome news for equity investors.

The government said that the August producer prices index fell 0.6 per cent, and that "core" producer prices (excluding the volatile food and energy components), fell by 1.0 per cent – the largest decline ever recorded. Although a good part of the decline was attributed to sharp falls in tobacco prices, the inflation data was still regarded as extremely positive for both stocks and bonds.

The impression of low inflation was reinforced by a sizeable drop in commodity prices yesterday morning. By early afternoon, the Commodity Research Board's index of prices was down 2.02 at 212.85. Lower inflation and commodity prices provided a big lift to bonds, with the benchmark 30-year government issue climbing more than a point and the yield dropping to 5.88 per cent.

Among individual stocks, Paramount Communications climbed $3⅞ to $60¼ in heavy trading on reports that the entertainment group has been discussing a merger with Viacom, owner of MTV and other television and cinema interests. According to the reports, the two companies would swap stock in a deal that would value Paramount shares at $60 each. Separately, Paramount unveiled a modest improvement in second quarter earnings to $120.4m. Viacom, traded on the American Stock Exchange, firmed $¼ to $65⅝.

Blockbuster rose $1 to $28⅝ after the company told analysts at a retail investment conference in New York that it was comfortable with estimates of between 29 cents and 31 cents a share for the third quarter.

Bank stocks were once again in demand as analysts forecast good third quarter results. JP Morgan rose $1⅛ to $78⅜, Chase Manhattan rose $¾ to $36⅞, Citicorp added $⅝ at $35¾, and Banc One climbed $⅝ to $42¼.

On the Nasdaq market, leading technology stocks were flat-to-firmer. Microsoft rose $1 to $77¼ and Intel $1¼ at $68.

SAO PAULO was 2.7 per cent higher at midsession, helped by an announcement clearing the way for the privatisation auction of Acominas, the steel group. The Bovespa index was up 327 at 12,151.

Acominas will be the last state steel manufacturer to be sold under the government's privatisation programme.

News was also awaited of a meeting of the Democratic Movement party, when members are expected to decide whether to continue supporting President Itamar Franco in Congress.

SOUTH AFRICA

GAINS in gold and mining financials were erased by the close after the bullion price fell $6. The gold index shed 10 to 1,543, while the industrial index added 26 to 4,538. The overall index held onto a 6 point gain at 3,847.

Turbulent week in Toronto

THE TORONTO stock exchange proved this week that investors in resource-based markets need iron-clad stomachs, *writes Bernard Simon in Toronto.*

The TSE-300 index lurched from a 172-point dive in the first two trading days of the week to a 56-point climb on Thursday. It dipped again by midsession yesterday, losing 15.09 to 3,994.23.

The turbulence came just two weeks after the index broke through its August 1987 record, reaching a new all-time high of 4,143 on Sept 1. This week's whipsaw action was most evident in the gold and junior oil and gas sectors, which were the mainsprings of the 24 per cent rise in the TSE-300 in the first eight months of 1993. But the market as a whole has been ripe for a retreat.

With the TSE-300 at an average of about 17 times projected earnings, prices have been supported by little more than hopes of improved corporate profits and dividends. The economy shows little signs of life, however.

The plunge in the gold price and weakness in metals and forest-products markets has clouded the outlook for big resource companies.

Mr Christopher Martin, a director at Cassels Blaikie, a Toronto securities firm, cautions that "there's still definite over-valuation in the market-place. You have to be very selective." He notes that, besides weak commodities markets, many of the traditional giants of commerce and industry are still in the midst of restructurings.

On the other hand, many money managers continue to insist that they will use any substantial correction as a buying opportunity.

While further shocks may be in store, it's difficult to find an analyst who thinks this week's upheavals are the end of the bull market.

Interest rates and inflation remain low; and the economy is recovering, more slowly than most expected, but it is recovering.

Tokyo's investors ignore the bad news

Hopes of lower interest rates have been supporting equities, writes **Emiko Terazono**

The Tokyo stock market has a lot to worry about: the floundering economy, plunging corporate profits and an unstable coalition government. Yet investors have been hanging on to hopes of lower interest rates and a number of new issues to spur sentiment.

In spite of the dramatic political changes, as the Liberal Democratic Party was ousted after its 38 year rule and a new coalition government formed, the Nikkei average has remained surprisingly stable. In yen terms, the index has gained 4.4 per cent since the beginning of July.

Share prices have also been resilient against negative corporate news, such as Daiwa Bank's rescue of Cosmo Securities, following its Y69.8bn loss over *tobashi*, or shuffling of clients' accounts to hide unrealised losses.

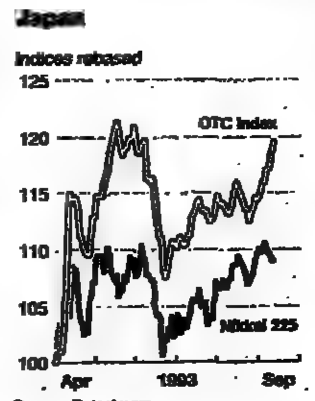
Mr Alexander Kinmont, strategist at Morgan Stanley in Tokyo, says that share prices are being supported "purely by interest rates". The Bank of Japan is expected to lower the official discount rate next week. Some analysts point out that share prices have discounted a 50 basis point cut, but a wider cut could move prices higher.

Meanwhile, the government has started to envisage the possibility of another fiscal stimulus package, and some cabinet members have called for an income tax cut.

The increase in new issues has also created activity. The over-the-counter market has seen a jump in trading due to new listings. More than 60 companies have listed there this year, up from 34 last year, and the OTC index has risen 7.7 per cent since the start of July. The listing of DDI, the long distance telecom company, on the second section of the TSE has also been welcomed.

The listing of East Japan Railway in October may help to lift the government's ban on new listings on the first section. Mr Yasuo Ueki at Nikko Securities hopes that the listing of JR East will lure back individual investors.

However, negative factors which many have chosen to ignore are steadily worsening. The gloomy outlook on an economic recovery has deepened during the past few weeks, with a spate of downward earnings revisions by leading corporations and the announcement of the *tankan*, or quarterly report on business sentiment.



Source: Datastream

Nippon Telegraph and Telephone said it would cut 10,000 staff through early retirement, while it also announced a cut in long distance call rates to sustain market share. Leading steel companies revised profit estimates downward for the year, with Nippon Steel, the world's largest steel maker, setting up a task force to reduce administrative staff.

Nissan Motor also announced last Thursday that it may sell part of its cross shareholdings in banks and insurance companies to cover its losses of Y40bn.

The *tankan*, released yesterday, confirmed fears of a worsening economy, with business confidence of manufacturers falling to the lowest level in 18 years and of service industries declining to a record low.

Nomura Research Institute, the research arm of Nomura Securities, revised downward its profit forecasts of leading companies for the current year to next March. NRI said pre-tax profits would fall 14.2 per cent, lowering its earlier projection by 7.2 percentage points.

The government's vague stance on the economy is also a worrying factor. While it has announced deregulation policies and the need to control political donations, it has also been slow in addressing the worsening economy.

Mr Kazuo Aichi, of the Japan Renewal Party, one of the core coalition parties, says the main objectives of Mr Morihiro Hosokawa's coalition is political and electoral reform, and the cabinet will focus mainly on achieving those goals.

However, analysts say it may take time for investors to react to bad news. "As long as the government can maintain the impression that things are moving forward, people are going to buy stocks," says Mr Kinmont. He expects the Nikkei index to reach 22,000 to 23,000 during the last quarter of the calendar year.

While pessimists have given up waiting for the Nikkei to fall below 20,000, Mr Kazuo Tamayama, strategist of Yasuda Kasai Brinson Investment Management's second investment division, remains a faithful bear. "Some investors haven't realised how bad the economy and corporate profits are," he says, warning that the Nikkei average's record low at 14,309 seen last August, could be broken in the near term.

EUROPE

Ferruzzi charts a curious course in Milan

A WEAKER dollar affected some of the continent's bourses yesterday, *writes Our Markets Staff.*

MILAN took the government approval of the 1994 budget in its stride, and shares finished marginally ahead as the market wound down ahead of next Wednesday's close of the September account. The Comit index rose 4.87 to 597.51, for a 5 per cent decline on the week.

Ferruzzi continued to chart a curious course, the share opening 10 per cent higher before the price turned turtle later in the morning and finished L49.75 or 10 per cent lower on the day at L448. Volume was a very heavy 40.7m shares.

Dealers were at a loss to explain the turnaround: on each of the first four days of the week, the shares rose by their maximum permissible 10 per cent limit.

One dealer suggested that the exchange authorities could not delay much longer an inquiry into the stock's recent volatility.

Telecommunications shares made a firm start in the wake of government approval of the sector's reorganisation next year. But gains were subsequently trimmed to leave Sip L11 higher at L3,311 and Italcable L52 ahead at L9,231.

FRANKFURT eased further, its sixth consecutive decline, as the market continued to be affected by the weaker dollar. The DAX index ended down 19.37 or 1 per cent at 1,861.44, a fall on the week of 3.3 per cent.

While there was disappointment at the limited cut in the the repo on Thursday, some analysts remained confident that after a period of consolidation the market would again move ahead.

Viag and Linde featured among the day's heaviest losers, with respective falls of DM15 and DM11 to DM436 and DM770. Among the car makers, much in the news this week, BMW lost DM6 to DM553 and Volkswagen DM6.30 to DM354.50 while Daimler was off DM8.50 at DM710. Schering was the only bright spot, rising DM6.50 to DM962.50.

PARIS was little changed on the day but down 2.2 per cent on the week. The CAC-40 index lost 0.37 to 2,106.38 after a high of 2,117 and a low of 2,094. Turnover dropped back to FFr3.1bn from FFr4.6bn.

Carrefour, which had attracted some interest earlier in the week, lost FFr11 to FFr3,173. Hoare Govett commented that the shares look fully valued and recommended a holding only to maintain a sector weighting.

Bouygues, which announced the award of a new contract on Wednesday, added FFr7 to FFr674.

ZURICH edged lower in thin trading ahead of a long holiday weekend. The SMI index shed 18.5 to 2,363.6, down 3.1 per cent on the week.

Nestlé led the market lower on further consideration of Thursday's first half results, the registered shares shedding SFr17 to SFr1,053.

ATHENS rebounded after a 2.6 per cent drop at the opening, as institutional investors were attracted back by lower prices. The general index finished 4.37 higher at 806.22 having dropped below 780 points at midday on pre-election jitters.

ISTANBUL finished at a fourth record high this week, but retreated from early gains. The composite index ended 110.1 higher at 12,948.9, 11 per cent higher on the week.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

September 10 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1269.67	1269.80	1268.02	1265.99	1265.25	1263.98	1262.95	1263.72
FT-SE Eurotrack 200	1360.28	1358.63	1359.46	1359.26	1358.09	1358.17	1353.78	1355.64

	Sep 9	Sep 8	Sep 7	Sep 6	Sep 3
FT-SE Eurotrack 100	1265.95	1266.53	1277.38	1284.01	1293.60
FT-SE Eurotrack 200	1362.52	1363.66	1365.81	1371.90	1384.27

Base value 1000 (26/10/90) High/day: 100 - 1271.00; 200 - 1361.88 Low/day: 100 - 1262.30 200 - 1352.04.

ASIA PACIFIC

Philippines hold gains in record territory

Tokyo

SHARE prices remained little changed as selling, which followed the fixing of the settlement price for September futures and options contracts, was countered by index-linked buying and purchases by individual and financial investors, *writes Emiko Terazono in Tokyo.*

The Nikkei average fell 7.60 to 20,817.98, down 1.4 per cent on the week. The release of the Bank of Japan's *tankan*, or quarterly report on business sentiment, had little impact on investor sentiment.

The index reached a high of 20,846.58 in the morning session, and lost ground on profit-taking, hitting the day's low of 20,686.47 in the afternoon. The index recouped some losses on arbitrage related buying.

Volume rose to 570m shares against 247m, due to trading linked to futures and options settlement. Advances led declines by 544 to 461, with 160 issues remaining unchanged. The Topix index of all first section stocks gained 1.16 to 1,677.50, its first rise in five market days. In London, the ISE/Nikkei 50 index closed at 1283.60, up 0.67.

Steel companies continued to lose ground. Nippon Steel, the day's most active issue, fell Y9 to Y333. Other leading steel makers, which announced interim losses for the current fiscal year, also lost ground. Kawasaki Steel fell Y11 to Y323.

Brokers were weak following reports by the Nikkei Shimbun, a business daily, that Sanyo Securities had sought financial aid from banks and other creditors due to mounting losses at a finance affiliate. The Tokyo Stock Exchange suspended trading in Sanyo, but the broker and ministry of finance officials later denied the allegations.

Nomura Securities fell Y20 to Y2,160 and Daiwa Securities lost Y20 to Y1,440.

Nippon Telegraph and Telephone rose Y7,000 to Y922,000, turning higher for the first time in seven days. Railway stocks were higher on the last day of subscriptions for the offering of 1.4m East Japan Railway shares.

In Osaka, the OSE average rose 31.95 to 22,780.99 in volume of 29.2m shares. The index rose for the first time in four trading days on hopes of an imminent cut in the official discount rate. Nintendo, the video game maker, fell Y190 to Y9,740 on profit taking.

Roundup

FOREIGN demand helped some Pacific Rim markets higher.

MANILA remained in record territory, helped by heavy foreign buying of Manila Electric. The composite index added 7.45 to 1,919.22, for a 2.2 per cent rise on the week.

Manila Electric A shares rose 4 pesos to 206 pesos.

TAIWAN ended higher on hopes for lower interest rates and the weighted index rose 31.74 to 3,873.06, 1.5 per cent higher on the week.

AUSTRALIA was firmer in moderate trade, taking its lead from a recovery in gold stocks and strength in some blue chips.

The All Ordinaries index rose 10.1 to at 1941.5, for a 0.6 per cent decline over the week.

News Corp soared 32 cents to A$10.72 as investors re-rated the stock following this week's news that the BSkyB satellite TV arm would begin payouts to shareholders next year.

Lend Lease also surged 32 cents to A$17.04 after Thursday's announcement that it was buying Yarmouth Group Inc of the US.

BOMBAY closed higher on buying by state-owned financial institutions and by foreign fund managers, and the BSE 30-share index rose 42.35 to 2705.07, for a weekly gain of 1.5 per cent.

HONG KONG saw some late overseas demand help to erase early losses and the Hang Seng index edged up 6.69 to 7,593.45, 1 per cent higher on the week.

SINGAPORE was hit by profit-taking in blue chip issues which left the Straits Times industrial index 21.94 lower at 1,998.79, for a 2.1 per cent decline over the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	THURSDAY SEPTEMBER 9 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY SEPTEMBER 8 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (69)	142.81	-0.9	136.51	94.56	118.57	145.14	-0.4	3.53	144.16	138.74	96.38	121.35	145.65	148.64	117.39	125.69
Austria (17)	175.12	+1.0	167.39	115.96	145.40	145.69	-0.1	1.33	173.39	166.87	115.80	145.95	145.76	180.43	131.16	155.56
Belgium (42)	150.57	+1.3	143.93	99.69	125.01	129.03	-0.1	4.44	148.62	143.03	99.25	125.00	129.20	156.76	131.19	144.86
Canada (107)	124.31	+1.1	118.83	82.31	103.21	118.51	+1.0	2.88	122.93	118.31	82.08	103.46	117.38	130.38	111.41	125.46
Denmark (32)	232.36	+1.0	222.11	153.86	192.92	208.82	-0.3	1.09	230.07	221.42	153.65	193.65	208.50	232.42	185.11	214.83
Finland (23)	111.55	+2.8	106.63	73.87	92.62	133.09	+2.0	0.79	108.48	104.40	72.45	91.31	130.45	118.58	65.50	53.85
France (97)	168.59	+0.4	161.16	111.62	139.97	148.96	-0.8	3.10	167.85	161.54	112.09	141.27	150.14	170.50	142.72	162.93
Germany (60)	128.01	+1.2	122.37	84.77	106.28	106.28	-0.2	1.98	126.49	121.74	84.48	106.47	106.47	128.77	101.59	117.27
Hong Kong (55)	301.46	-0.2	288.16	199.60	250.30	299.44	-0.2	3.32	302.14	290.78	201.78	254.33	300.16	302.14	218.82	231.70
Ireland (14)	169.83	-0.1	162.34	112.45	141.00	165.14	-0.8	3.39	170.00	163.61	113.53	143.09	168.40	173.06	129.26	156.16
Italy (70)	75.56	+2.9	72.23	50.03	62.73	87.13	+1.5	1.87	73.40	70.64	49.02	61.78	85.85	78.93	53.78	58.95
Japan (470)	158.96	+0.4	151.94	105.25	131.99	105.25	-0.4	0.79	158.29	152.34	105.71	133.25	105.71	165.91	100.75	115.34
Malaysia (69)	403.61	-0.9	385.81	267.24	335.10	395.38	-0.9	1.75	407.43	392.12	272.08	342.93	398.04	410.47	251.56	239.52
Mexico (19)	1765.74	-0.3	1687.86	1169.17	1466.06	6003.11	-0.4	0.82	1771.58	1704.97	1183.10	1491.15	6027.74	1771.58	1410.30	1249.08
Netherland (24)	185.77	+1.6	177.58	123.01	154.25	152.24	+0.2	3.55	182.90	176.03	122.16	153.95	151.89	187.18	150.39	164.65
New Zealand (13)	61.40	-0.6	58.69	40.66	50.98	59.10	-0.5	3.78	61.77	59.45	41.26	52.00	59.42	62.88	40.56	41.93
Norway (22)	168.68	-1.7	161.24	111.69	140.06	160.50	-2.5	1.64	171.59	165.14	114.59	144.43	164.66	177.31	137.71	143.04
Singapore (38)	288.28	-0.7	275.57	190.89	239.35	212.99	-0.7	1.82	290.40	279.48	193.94	244.43	214.45	290.53	207.04	192.80
South Africa (60)	180.73	+2.7	172.76	119.67	150.06	190.01	+1.5	2.74	175.93	169.32	117.49	148.08	187.27	215.29	144.72	175.15
Spain (43)	140.97	+0.7	134.75	93.34	117.04	130.19	-0.9	4.13	139.94	134.68	93.46	117.79	139.41	140.97	115.23	139.21
Sweden (36)	190.53	+2.0	182.13	126.16	158.20	222.05	+0.6	1.52	186.83	179.81	124.77	157.26	220.78	196.23	148.70	169.56
Switzerland (50)	137.58	+1.0	131.51	91.10	114.24	119.41	-0.6	1.82	136.19	131.07	90.96	114.65	120.15	138.04	108.91	116.51
United Kingdom (218)	191.65	+0.6	183.20	126.89	159.11	183.20	-0.1	3.83	190.52	183.35	127.22	160.34	183.35	191.65	162.00	182.13
USA (520)	186.95	+0.2	178.70	123.79	155.23	186.95	+0.2	2.74	186.63	179.61	124.64	157.09	186.63	189.40	175.38	171.06
Europe (748)	159.12	+1.0	152.10	105.36	132.12	145.91	-0.1	3.06	157.62	151.70	105.27	132.68	146.13	159.12	133.92	146.98
Nordic (113)	180.49	+1.6	172.53	119.51	149.86	183.73	+0.3	1.34	177.61	170.93	118.61	149.50	183.11	183.25	142.13	156.51
Pacific Basin (714)	163.11	+0.3	155.92	108.01	135.45	112.70	-0.4	1.05	162.69	156.52	108.61	136.89	113.19	168.80	105.89	119.03
Euro-Pacific (1462)	161.36	+0.6	154.24	106.83	133.96	126.39	-0.3	1.87	160.46	154.43	107.16	135.05	126.80	162.86	117.26	130.34
North America (627)	183.08	+0.2	174.98	121.22	152.01	182.30	+0.2	2.74	182.67	175.81	122.01	153.79	181.83	185.50	171.51	168.21
Europe Ex. UK (530)	138.66	+1.2	132.55	91.83	115.15	124.26	-0.2	2.55	137.04	131.88	91.54	115.37	124.60	138.45	112.51	125.65
Pacific Ex. Japan (244)	204.32	-0.6	195.31	135.31	169.66	190.36	-0.4	2.99	205.61	197.88	137.33	173.08	191.21	205.61	152.70	155.20
World Ex. US (1648)	161.29	+0.6	154.18	106.81	133.92	128.35	-0.3	1.89	160.34	154.31	107.09	134.97	120.69	162.69	118.51	131.27
World Ex. UK (1950)	166.62	+0.4	159.27	110.33	138.36	142.88	-0.1	2.03	165.93	159.69	110.82	139.68	143.05	168.50	134.22	140.06
World Ex. So. Af. (2108)	168.88	+0.4	161.43	111.82	140.23	146.13	-0.1	2.20	168.18	161.85	112.32	141.57	146.30	170.43	137.29	143.59
World Ex. Japan (1698)	176.12	+0.4	168.35	116.63	146.25	169.68	+0.0	2.85	175.34	168.75	117.11	147.61	169.59	177.11	157.47	160.10
The World Index (2168)	168.83	+0.4	161.38	111.79	140.18	146.54	-0.1	2.20	168.09	161.77	112.26	141.50	146.69	170.42	137.32	143.70

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 High	1993 Low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 13¼pc 1993‡‡	101½	-[illegible]	[illegible]	101½	13.05	5.89
8¼pc 1994	101⅛	—	[illegible]	101⅛	8.41	5.51
14½pc 1994‡‡	104[illegible]	-[illegible]	109[illegible]	104[illegible]	13.93	5.53
Exch 13½pc 1994	104[illegible]	—	108[illegible]	104[illegible]	12.88	5.58
Treas 10pc Ln 1994‡‡	103[illegible]	—	[illegible]	103[illegible]	9.69	5.69
Exch 12½pc 1994	105[illegible]	-[illegible]	110[illegible]	105[illegible]	11.75	5.54
Treas 9pc 1994‡‡	103[illegible]	-[illegible]	105[illegible]	103[illegible]	8.68	5.64
12pc 1995	108[illegible]	—	111[illegible]	108[illegible]	11.08	5.68
Exch 3pc Gas 90-95	95[illegible]	—	97	94	3.10	5.01
10¼pc 1995	107[illegible]	—	109[illegible]	107[illegible]	9.60	5.70
Treas 12¼pc 1995‡‡	113[illegible]	-[illegible]	116[illegible]	113[illegible]	11.19	5.80
14pc 1996	117[illegible]	-[illegible]	122[illegible]	117[illegible]	11.90	5.86
15¼pc 1996‡‡	122[illegible]	-[illegible]	125[illegible]	121[illegible]	12.47	5.98
Exch 13¼pc 1996‡‡	117[illegible]	-[illegible]	122[illegible]	116[illegible]	11.25	5.97
Conversion 10pc 1996	111	—	111½	108[illegible]	9.01	6.10
Treas 13¼pc 1997‡‡	120[illegible]	—	122[illegible]	116[illegible]	10.97	6.24
Exch 10½pc 1997	112[illegible]	—	113[illegible]	110[illegible]	9.29	6.22
Treas 8¾pc 1997‡‡	108[illegible]	—	109	105½	8.05	6.21
Exch 15pc 1997	130[illegible]	—	132[illegible]	127[illegible]	11.51	6.46
9¾pc 1998	112[illegible]	+[illegible]	112[illegible]	109[illegible]	8.65	6.37
Treas 7¼pc 1998‡‡	[illegible]	+[illegible]	103[illegible]	99[illegible]	6.99	6.27
7¼pc 1998 B‡‡	[illegible]	—	[illegible]	84[illegible]	6.99	6.27
Treas 6¾pc 1995-98‡‡	100[illegible]	—	101½	97[illegible]	6.69	6.12
14pc '96-1	126[illegible]	-[illegible]	129½	125[illegible]	10.98	6.73
Five to Fifteen Years						
Treas 15½pc '98‡‡	137¾xd	-[illegible]	139[illegible]	133[illegible]	11.25	6.57
Exch 12pc 1998	122[illegible]	-[illegible]	122[illegible]	118[illegible]	9.77	6.69
Treas 9½pc 1999‡‡	113[illegible]	-[illegible]	113½	109[illegible]	8.39	6.50
Exch 12¼pc 1999	125¾xd	—	125[illegible]	120[illegible]	9.79	[illegible]
Treas 10½pc 1999	118[illegible]	-[illegible]	118[illegible]	112[illegible]	8.89	6.59
Conversion 10¼pc 1999	118[illegible]	—	118[illegible]	112[illegible]	8.88	6.61
9pc 2000‡‡	112[illegible]	+[illegible]	113	105	7.99	6.55
Treas 13pc 2000	132[illegible]	+[illegible]	132[illegible]	125½	9.79	6.69
10pc 2001	115[illegible]	+[illegible]	115[illegible]	109[illegible]	8.48	6.81
7pc '01(£57¼pd)‡‡	81[illegible]	+[illegible]	81[illegible]	57[illegible]	8.60	6.69
9¾pc 2002	118[illegible]	+[illegible]	119[illegible]	109[illegible]	8.21	6.85
8pc 2003‡‡	109[illegible]	+[illegible]	109[illegible]	97[illegible]	7.32	6.77
8pc 2003 A‡‡	109[illegible]	+[illegible]	109[illegible]	102[illegible]	7.38	6.76

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Tap Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
✦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
§ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
◆ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

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FINANCIAL TIMES
Weekend September 11/September 12 1993

Germany wants eastern Europe in Nato and EC

By Quentin Peel in Bonn and Lionel Barber in Brussels

GERMANY yesterday added its backing to a push for the integration of eastern Europe with western institutions, including Nato, the European Community, and the Western European Union.

In a restatement of German foreign policy, Mr Klaus Kinkel, the foreign minister, spelt out a series of ways in which he would seek to promote enlargement both of Nato and the EC to include the central European democracies, without alienating Russia and Ukraine.

In Brussels, Mr Manfred Wörner, Nato secretary-general, also supported the goal of future membership of the alliance for the countries of central and eastern Europe.

He told the annual conference of the International Institute of Strategic Studies in Brussels that an enlarged Nato "would increase the stability of the whole of Europe and be in the interest of all nations, including Russia and Ukraine".

Mr Kinkel pledged his government's firm support for the creation of a European Union – including European monetary union and a common foreign and security policy.

His plans included joint peace-keeping and peacemaking operations by the western and eastern members of the North Atlantic Co-operation Council – which includes Nato and the former eastern bloc states.

He proposed that the WEU, the intended arm of EC defence co-operation, should offer association status to all candidates for membership of the community, including central and east European countries. And he said that Nato should declare its willingness to make bilateral agreements on security co-operation with all countries seeking membership of the future integrated EC.

Mr Kinkel's plans for eastern Europe, announced to a foreign policy congress of his Free Democratic party in Bonn, are the most specific and radical to have been put forward by a leading member of the Nato alliance. They may well be seen as over-hasty by other allies but they reflect concern in top German circles over the need to integrate eastern and western Europe, to counter political, economic and social instability.

Mr Wörner's statement is the clearest signal to date that Nato is prepared to accept Poland, the Czech republic, Hungary, Slovakia and other central European states provided they meet standards on human rights, democracy and the protection of ethnic minorities.

Government stands firm on public sector pay restraints

By Alison Smith and Robert Taylor

SENIOR ministers yesterday met the vigorous protest over the decision to maintain tough controls on UK public sector pay with a blunt warning that the government would press ahead.

Public sector union leaders said the government would face serious conflict if it sought to maintain a second 12-month period of pay restraint among 5m public sector workers after the current 1.5 per cent wage limit ends in November.

But Mr John Major, the prime minister, said the government would stick by the policies needed to bring about economic recovery, even if these were unpopular.

Speaking in Scotland, Mr Major said: "People are concerned at controversial decisions. But sometimes it is necessary to take controversial decisions even though they may be unpopular."

The bitter unpopularity among Conservative supporters of the Budget decision to impose value added tax on domestic fuel was revealed in the motions put forward for the annual party conference published yesterday.

Ministers have already said that the policy will not be reversed. Mr Kenneth Clarke, the chancellor, yesterday brushed aside the threat of public sector strikes and said the time for annual automatic pay increases had gone.

"We have got to get used to a climate in which Britain is now in control of inflation," he told BBC radio. "We do not now have this annual performance whereby significant well-organised groups think every year that pay has got to go up to give a real increase in their living standards."

Firefighters are likely to hold a ballot next month over industrial action in defence of the 15-year-old formula that links their pay to the upper quartile of male full-time workers' earnings.

Mr Ken Cameron, the Fire Brigade Union's general secretary, said a second year of wage restraint would "increase the likelihood of [firefighters] voting 'yes' in a ballot for strike action".

Mr Gordon Brown, the shadow chancellor, said it was an attempt to make public servants "pay the price for the government's economic mistakes".

Tory discontent, Page 6

Trials show water meters may cut consumption by up to 11%

By Bronwen Maddox, Environment Correspondent

HOUSEHOLD meters could cut water use by some 11 per cent in England and Wales, according to a long-awaited report by the government and the water industry, to be published on Monday.

The findings, based on three years of trials, will fuel the growing debate about whether people who use a lot of water should pay more. Most households now pay a flat annual fee based on property value under the old rating system. Many businesses have been metered for years.

The results of the 12 regional trials will be welcomed by Ofwat and the National Rivers Authority, the industry regulators. They have feared that recurrent water shortages in the south of England would force companies to build new reservoirs and raise customers' bills.

But the industry's response is likely to be mixed. Anglian Water and Cambridge Water have announced compulsory metering to curb water use. But many water companies, including some in the south, were sceptical that metering would be worth the high cost - industry estimates suggest £3bn for England and Wales. "Metering might delay the need for new reservoirs, but not forever", one said.

The report says to install a meter typically cost £165 inside a home and £200 outside. The cost of fitting free meters in the smaller 11 trials ran to several million pounds, split between the environment department and water companies.

In the Isle of Wight trial the 50,000 households surveyed reduced their use by some 21 per cent after meters were installed. But in the Hotwells district of Bristol Water, where some 850 households were tested, the drop was only some 2 per cent.

Many water executives yesterday questioned whether these falls in demand would be permanent. One said: "The Isle of Wight trial took place over only three years, during recession and during the worst drought for decades – it is hard to separate the metering effects from other exhortations to use less water."

Independent asks OFT to study price cut

Continued from Page 1

editor-in-chief of The Independent said:

"Our best estimates suggest The Times would need to increase circulation by over 60 per cent – an additional 200,000 copies – to break even at 30p. This is simply impossible."

The formal complaint came even though The Independent conceded that a survey covering the first three days of this week showed its circulation had risen by 3 per cent.

The Times price cut seems to have increased the overall broadsheet market by about 3 per cent, with the circulation of the Financial Times and The Guardian unaffected but The Daily Telegraph down some 3 per cent.

In July The Times sold an average 359,823 copies daily, The Independent 334,993 and the Daily Telegraph 1.017m. A Times spokesman said yesterday: "We believe we have nothing to fear from an open investigation by the OFT."

If an investigation found The Times guilty of unlawful predatory pricing, the OFT could seek undertakings on future pricing policy. A refusal to give such undertakings could lead to a referral to the Monopolies and Mergers Commission.

'We are making history here'

Continued from Page 1

giving up your finger or your heart," he said, as he stood in his black suit and hat in front of the Wailing Wall, the most holy religious site in Judaism.

"When the Jordanians had control of the old city they spat and pissed on the Wailing Wall. It will happen again when Arafat comes. He is a murderer of Jews. He is Hitler's right hand and this agreement is against the people and against the Torah (the Old Testament).

"We are praying against the agreement and praying for the Messiah to come and solve these problems."

Canary Wharf rescue deal

Continued from Page 1

tration. Mr John MacGregor, transport secretary, said securing the private sector contribution cleared "a very large hurdle". The government had delayed approving the project until it had secured the private sector contribution promised by O&Y, the Canadian company which was the original developer of Canary Wharf.

The deal would mark the first time a company voluntary arrangement, a procedure for bringing businesses out of administration as a going concern, had been used for such a large company.

THE LEX COLUMN

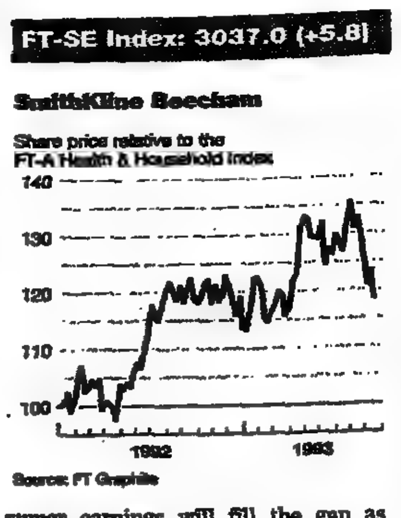
Counting on results

On one level the recent weakness of UK equities looks like a straightforward correction after the rise during August, a pattern repeated in New York, Paris and Frankfurt. All the more so since the weakest sectors – such as food retailing and food manufacturing – are precisely those which showed the strongest gains on the upswing. Whether the correction develops into a more sustained period of doubt turns crucially on corporate earnings living up to expectations. So far the evidence has been mixed.

Interim figures from cyclical bellwethers such as BTR must be counted as disappointing. Yet companies ranging from Cadbury Schweppes to Blue Circle turned in creditable results, albeit accompanied by a rights issue in the case of the former. Equally importantly for a market transfixed by yield, surprisingly generous dividend increases from Glaxo and Prudential suggest the outlook for dividend growth may be brighter than hitherto expected in some sectors.

In the case of pharmaceuticals and life assurance, additional yield might be seen as compensation for an increasingly uncertain trading outlook. In other sectors, the flurry of companies offering enhanced scrip dividends – effectively small rights issues in place of cash dividends – is a reminder that companies have overpaid during recession. While inflation is weak and bond yields are falling these concerns are unlikely to matter much. Where the market will find inspiration for another great leap forward is less clear.

FT-SE Index: 3037.0 (+5.8)



Source: FT Graphite

SmithKline Beecham

While most drugs stocks have been enjoying a minor recovery SmithKline Beecham is suffering a run of bad luck. The threat to its membership of the FT-SE 100 index is bad for sentiment, although there is scant evidence that the exclusion of a company from any index has much bearing on the performance of the shares. The US Food and Drug Administration's reluctance to approve a weak form of Tagamet, SB's biggest selling drug, for sale as an over-the-counter medicine is more serious.

Time lost establishing a presence in the US consumer market carries a cost. Tagamet's US patent expires at the end of next year, so generic competition is already looming. Since marketing costs eat into profits in the early years of an OTC product, the delay makes it less likely that consumer earnings will fill the gap as prescription sales are eroded. The FDA has questioned Tagamet's efficacy as a heartburn remedy rather than its safety, so SB may yet win a swift and favourable decision. But that cannot be taken for granted. The FDA ruled against nicotine patches earlier this year because it could find no conclusive proof of their benefits.

Still, the rigour of the US regulator will not alter the trend towards OTC medicines. Asking patients to pay for non-essential medicines dovetails with other efforts to contain government spending on healthcare. While profits on prescription drugs are being squeezed, margins of around 15 to 20 per cent on mature OTC products can no longer be ignored.

Signet

Investors who have inflated Signet's share price must be gambling that the ugly duckling will eventually turn into a swan. Yet those who remember the company in its previous incarnation as Ratners may have their doubts. On any sensible criteria the shares have little value. There are no dividends or earnings to support a yield or a price earnings ratio, and preference share dividends are piling up unpaid.

Given that some kind of capital restructuring lurks on the horizon, those who have been buying the shares look over-optimistic. The first half may not be a good guide to the year since the business is quintessentially seasonal, but the reduction of losses and cash flow is still painfully slow. Much of the cost-cutting which can be managed has already been done, and only a marked improvement in sales will restore profits. With jewellery purchases highly discretionary, that is as much dependent on the recovery in the economy as on management action or marketing flair.

In that light the recent award of generous share options ought to raise a few eyebrows. Signet's managers are already well paid for the size of their business, and turning the operation round is largely a matter of common sense and hanging on. Even so, unless the scheme is adjusted to take account of any dilution on restructuring, it is hard to see managers benefiting. Perhaps the hope is that, if the share price rises enough, a rights issue will pay the rolled up preference dividends without diluting ordinary shareholders out of existence.

Gold

The orchestrated drive in the bullion price above $400 an ounce neatly extricated Sir James Goldsmith from most of his illiquid stake in Newmont Mining. Whether anyone else made much money is a more open question. Worries about an upturn in US inflation in the spring, buying in the Far East and talk of a shortage in the market as fabrication demand exceeds mined supply were enough to persuade many investors to suspend their disbelief. The constant search for the latest fad by US hedge funds was simply the cherry on the cake of the speculative run.

Presumably that factor is now working hard in reverse as such loose holders dump the metal. The suspicion also remains that central banks, that other great negative factor overhanding the market, may have been selling. France's shortage of foreign exchange as a result of the ERM debacle has made it the favourite suspect. This is all the more so since the Bank of France holds an unusually high proportion of its reserves in bullion. The French government has denied that it is liquidating holdings, but the threat of sales looms.

Against that, there are still some plus points. With interest rates low the opportunity cost of holding bullion is reduced. Value buyers may also emerge now that the price has fallen back. There is still the steady tightening in the market as fabrication exceeds production. And while inflation is hardly a threat in industrialised countries, gold may yet provide a useful hedge for Chinese holders. The easy profits made by Sir James are, however, yesterday's game.

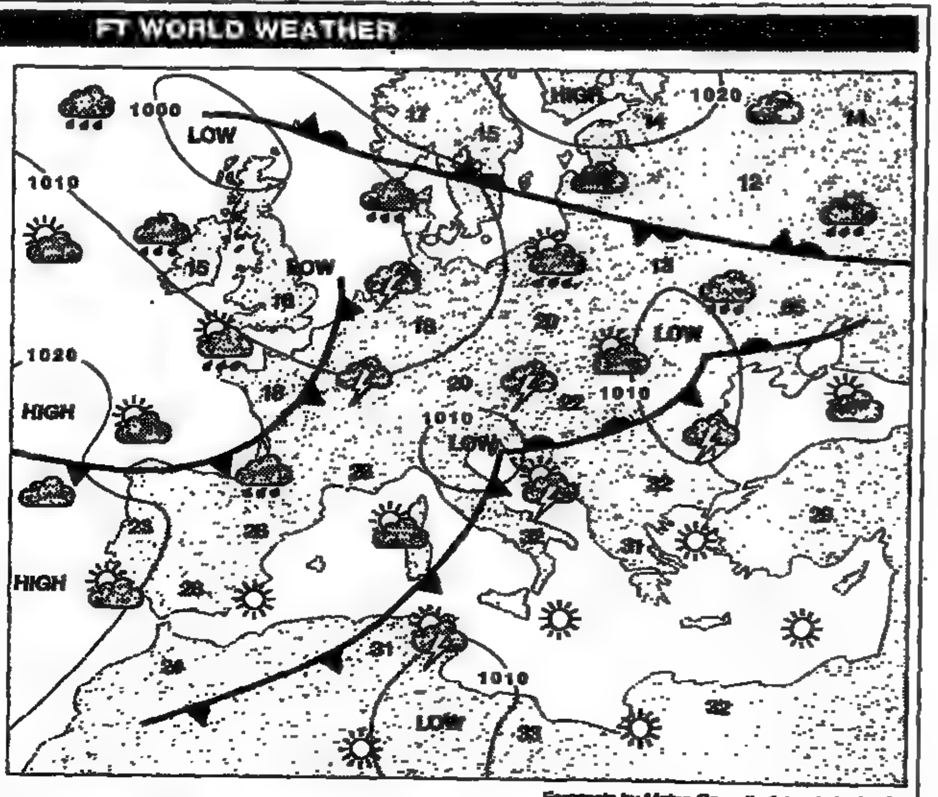
FT WORLD WEATHER

Europe today

Thunder showers will develop ahead of a frontal zone in the Low Countries, western Germany and eastern France. Northern Spain will have some rain. Behind the front, in north-west France and south-west England, showers will alternate with sunny spells. Elsewhere in the British Isles, it will be overcast and showery. High pressure will persist over Scandinavia bringing sunny conditions, except for southern Norway and Sweden where there will be periods of rain. Thunder showers will develop on another frontal zone over northern Italy, the Balkans and northern Black Sea. South-east of this front, it will be sunny and warm in Greece and Turkey.

Five-day forecast

Low pressure will move into Brittany bringing unsettled and very cool conditions over north-western Europe with frequent showers alternating with a few sunny spells. Nearly stationary high pressure over Scandinavia will produce dry conditions with sunny intervals. Thunder showers will move to the east out of Europe during the weekend. At the start of next week a new frontal zone will develop over central Europe with thunder showers in the warm air ahead of the front.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	43
Accra	fair	29
Algiers	sun	31
Amsterdam	thund	16
Athens	sun	32
B. Aires	sun	20
B.ham	shower	15
Bangkok	cloudy	32
Barcelona	sun	26
Beijing	shower	26
Belfast	shower	14
Belgrade	fair	29
Berlin	shower	20
Bermuda	fair	30
Bogota	fair	21
Bombay	cloudy	30
Brussels	thund	16
Budapest	shower	23
C.hagen	rain	16
Cairo	sun	33
Cape Town	fair	19
Caracas	sun	24
Cardiff	fair	15
Chicago	fair	23
Cologne	shower	19
D' Salaam	thund	29
Dakar	thund	30
Dallas	sun	31
Delhi	cloudy	28
Dubai	sun	41
Dublin	shower	16
Dubrovnik	fair	27
Edinburgh	drzzl	17
Faro	fair	26
Frankfurt	shower	20
Geneva	thund	16
Gibraltar	sun	26
Glasgow	shower	16
Hamburg	thund	18
Helsinki	fair	12
Hong Kong	cloudy	30
Honolulu	fair	32
Istanbul	sun	30
Jersey	fair	19
Karachi	fair	33
Kuwait	sun	42
L. Angeles	fair	25
Las Palmas	sun	26
Lima	cloudy	21
Lisbon	cloudy	23
London	shower	16
Lux.bourg	shower	14
Lyon	shower	19
Madeira	fair	24
Madrid	fair	26
Majorca	sun	27
Malta	sun	33
Manchester	shower	15
Manila	shower	30
Melbourne	fair	15
Mexico City	fair	20
Miami	thund	33
Milan	fair	22
Montreal	fair	16
Moscow	cloudy	11
Munich	shower	21
Nairobi	fair	27
Naples	sun	29
Nassau	thund	33
New York	windy	22
Nice	fair	24
Nicosia	sun	33
Oslo	shower	14
Paris	thund	18
Perth	fair	22
Prague	fair	19
Rangoon	cloudy	32
Reykjavik	rain	12
Rio	fair	23
Riyadh	sun	40
Rome	fair	27
S. Frsco	fair	23
Seoul	shower	27
Singapore	thund	31
Stockholm	shower	13
Strasbourg	thund	18
Sydney	fair	15
Tangier	sun	24
Tel Aviv	sun	33
Tokyo	fair	21
Toronto	fair	17
Tunis	thund	35
Vancouver	shower	20
Venice	fair	23
Vienna	thund	21
Warsaw	shower	16
Washington	sun	24
Wellington	shower	8
Winnipeg	fair	22
Zurich	fair	18

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Weekend FT

SECTION II

Weekend September 11/September 12 1993

English arrogance, French paranoia

Is it still a case of plus ça change over Anglo-French monetary relations? asks ***John Plender***

"Each time the franc loses value, the Minister of Finance is convinced that the fact arises from everything but economic causes. He attributes it to the presence of foreigners in the corridors of the Bourse, to unwholesome and malign forces of speculation. The attitude is rather close to that of the witch doctor who attributes the illness of cattle to the 'evil eye', and the storm to an insufficient quantity of sacrifices made before some idol."

THESE are not the words of some disaffected City economist discussing the recent fiasco in the European exchange rate mechanism. The reference is to the instability of the franc in the 1920s and the words were written by J.M. Keynes, the economist, in his preface to the French translation of *A Tract on Monetary Reform*.

With their neat encapsulation of English arrogance and French paranoia, they serve as a reminder that mutual incomprehension in Anglo-French monetary relations is close to being one of the eternal verities. Indeed, a striking feature of the ERM débacle is just how often the same arguments and the same drama have been played out over the centuries with remarkably similar results.

Consider, first, the French attitude to speculation, starting with the arrival in France in the early 18th century of the notorious Scots financier, John Law. Law was a proto-Keynesian who believed that monetary expansion and the setting up of more banks held the answer to unemployment. Exiled from England for killing a man in a duel, he was thrown out of France in 1706 for asserting that paper money was superior to gold and silver – an early instance of the strong currency obsession being taken to extremes.

When he returned in 1713 his proposal for setting up a bank to restore order to the public finances allegedly fell foul of the dying Louis XIV, who is said to have inquired whether the proposer was a Roman Catholic. The news that Law was a protestant prompted a magisterial *non*.

Apocryphal or otherwise, the rejection was temporary. Under the regency that followed, Law's persistence was rewarded at a time when Desmaretz, the controller general, was pursuing a savagely deflationary policy through currency appreciation. Law proceeded to flood the country with paper money, prompting a spectacular bout of inflation; and there was rampant speculation as the Scotsman's bank immersed itself in the Mississippi Bubble – a stock trading scam based on the same chain-letter principle that operated in England's contemporaneous South Sea Bubble.

The economist and historian Charles Kindleberger has argued that the collapse of the Mississippi Bubble in 1720 helped set back the cause of banking and bank notes in France for more than a century. If most French banking institutions are called *caisse, crédit, société* or *comptoir* rather than *banque*, it is because Law gave the word bank a bad name – a classic case, says Kindleberger, of collective financial memory.

In contrast, the English experience with the South Sea Bubble was, in the end, salutary. The South Sea Company, and the closely associated Sword Blade Bank, had originally tried to usurp the Bank of England's position as the main manager of the government's debt. When the bubble collapsed, the Bank of England rescued the South Sea Company, but let the Sword Blade Bank go to the wall. Its position was thenceforth unchallenged in British banking and the orderly management of the public finances was enhanced rather than weakened.

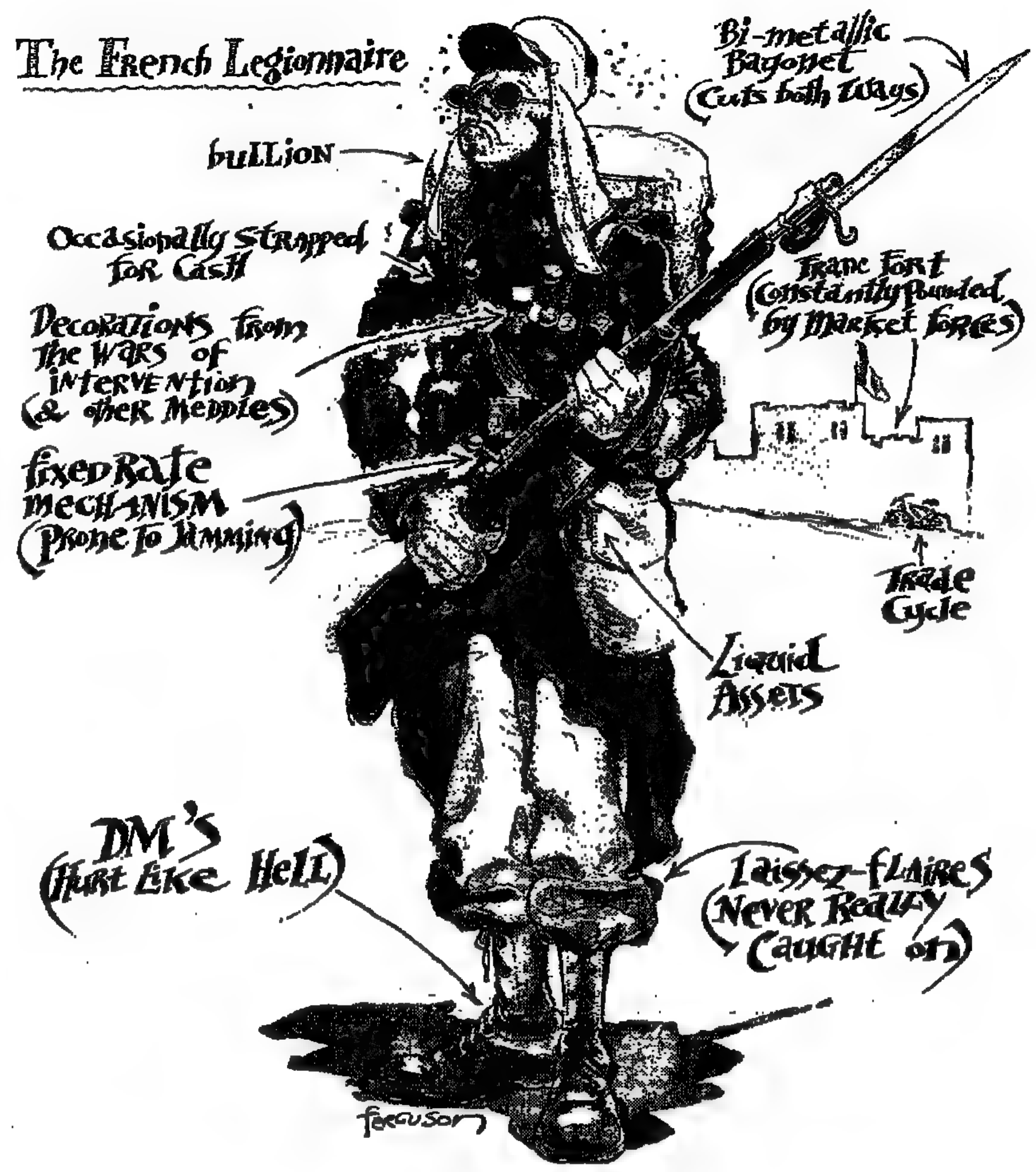
Yet the French public finances, comprehensively wrecked by the military adventures and domestic extravagance of Louis XIV, remained rocky throughout the 18th century; and the attempt to restore them through swingeing taxes contributed to the pressures that brought about the revolution of 1789.

When the peculiarly unpleasant system of privatised tax collection known as tax farming then collapsed, France was once again forced into experimenting with a form of paper money known as *assignats* – IOUs supposedly secured on church property appropriated by the state.

The inflationary experiment was extended when the revolutionary government had to finance unsuccessful military ventures in Belgium and the Rhineland, as well as action at home against the counter-revolutionary forces in the Vendée. As the face value of the *assignats* collapsed, peasants refused to sell grain for depreciating paper.

Hungry Parisians demanded the guillotine for speculators and called for the revolutionary government to abandon its commitment to a free internal market. An economically progressive French Constituent Assembly that had abolished internal customs barriers in 1790 promptly assumed a more paternalistic, dirigiste role and reintroduced food price regulation.

Against that background the deep-seated French fear of the speculator is understandable. And it was a yearning for currency stability that subsequently caused the French in the 1860s to engage in an early practice run for the Maastricht treaty: the Latin Monetary Union. This union, which started with a meeting between France, Belgium, Italy and Switzerland in 1865, was inspired by what is now known as the "optimum currency area" theory. Its underlying assumption is that when countries have achieved a degree of convergence in economic structure it makes sense to dispense with exchange rate changes and reap the efficiency benefits of a single currency.



The problem that haunted the Latin Monetary Union from the outset was that the French insisted on basing the currency on a bi-metallic standard. No need here to go into the arcane 19th century debates on bi-metallism. The essential point is that the attempt to peg the value of a currency to two metals simultaneously flies in the face of market logic. If the supply of one metal increases or declines relative to the other, speculators immediately engage in arbitrage against the countries that try to maintain a fixed relationship between the gold and silver coinage.

As Morris Perlman, of the London School of Economics, underlines in a recent paper for the LSE Financial Markets Group, the French political commitment to bi-metallism overrode the desire of the other participants and of most contemporary economists for a gold standard.

At the conference of 1865 this fundamental disagreement was swept under the carpet in favour of procedural discussions. Yet by 1867 the French were trying to turn this concept into a worldwide currency union, an idea that was debated at length at a conference of 20 nations, including Britain and the US, in Paris that year.

All the participants were enthusiastic, with the single exception of – yes – Britain, its delegates expressing profound scepticism about a proposal based on the use of the French franc and the decimal system. A British royal commission subsequently rejected the Paris plan and recommended a universal currency based on the British sovereign. And Walter Bagehot, the great editor of *The Economist*, hankered after an Anglo-Saxon monetary union, perfectly foreshadowing the instincts of Margaret Thatcher and today's Eurosceptics. *Plus ça change, plus c'est la memsahib.*

In the end the universal currency went nowhere. And a sustained fall in the price of silver relative to gold caused arbitrageurs to dump silver on the countries in the Latin Monetary Union. The union was thus undermined. And in 1871, after their victory in the Franco-Prussian war, the Germans administered the *coup de grâce* to hopes of a wider European monetary union by adopting a gold standard on a basis that was incompatible with the French system. Worse, they sold silver, an act of sabotage that in French eyes might bear comparison with the recent actions of the Bundesbank within the ERM.

Perlman shows how the political strands of the current European monetary debate are, so to speak, *vieux jeux*, even if we no longer have technical discussions about mint ratios for the coinage. Yet it would be wrong to assume that the obsession with strong currency and the antipathy for market processes is a uniquely French attribute.

In the 17th century, when the English were far from being pre-eminent in European finance, City merchants nursed xenophobic worries about Italian bankers, who were suspected of wanting to drain the country's bullion – a classic fear on which the doctrine of mercantilism is built.

Nor were the English of this period all instinctive free marketeers where currencies were concerned. The prominent 17th century economist Gerald Malynes, a bullionist, inveighed against self-seeking speculators who distorted currency markets through their use of sophisticated bills of exchange. Such speculation, he believed, drove parities away from sound levels that reflected the underlying bullion content of the currency. A government official, as well as a successful merchant, he wanted all exchange transactions to be conducted at a fixed rate by a "royal exchanger" authorised by the king. Mr Balladur would have felt entirely at ease with him.

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Gardening: Robin Lane Fox visits Sarah Bott's garden in Stevenage, Hertfordshire Page XVII

Long View / **Barry Riley**

Emerging optimists

ONE AFTER another, new emerging markets funds are being launched. They make up one of the hottest investment sectors of the moment, and some of the closed-end funds are selling at above their underlying asset value, a sure sign of excess demand. In the short run there are danger signals evident here.

The new money is usually being channelled into small and illiquid stock markets around the world (although one or two "emerging" markets are becoming quite large: Hong Kong's market capitalisation is bigger than Italy's, Mexico is bigger than Belgium). In a small market place a flood of incoming money will effectively create its own capital gains for a while, but it is bound to push prices above their sustainable value, creating the inevitability of a shakeout.

It rarely pays an investor to chase a fashion, even if the fundamental case is a good one; a better opportunity will be presented to the buyer who waits patiently, although he may need to be brave enough to invest under the shadow of revolution, earthquake or financial scandal. Certainly, August was a good month for the fringe markets. You could have made 26 per cent in dollar terms during the month in Turkey and 23 per cent in Indonesia. On the other hand, in Venezuela ... but let's not discuss Venezuela.

If markets emerge strongly enough they can join the big league. Not so long ago Tokyo was an emerging market. Little more than 30 years ago shares in promising little companies like Sony and Toyota could be picked up on price-earnings ratios in the low single figures. Now Tokyo is the second-biggest market in the world (having been the biggest at its peak in the late 1980s) but Japanese equities sell on extraordinarily expensive ratings and the Japanese economic growth rate has slowed to 1 per cent.

Here we have the point, because emerging markets are about growth. The developed world will be lucky to show a growth rate of 1.5 per cent in 1993, but in the first half of the year the real GNP of China is estimated to have grown by 14 per cent year-on-year and its industrial production by 25 per cent (admittedly, rates which are near to overheating). For decades most developing countries have been growing faster than the OECD members. But now the developed world is slowing down while many of the newly industrialising countries appear to be accelerating, largely because of the spread of free markets and the transfer of technology. In fact the inability of the US and Western Europe to cope with the new low-cost competition explains, at least in part, the sluggishness of their economies and the deflationary phase which they are experiencing, as their labour forces are priced out of many sectors which are open to international competition.

There is plenty here for emerging market bulls to get their teeth into. The right investment strategy in these conditions, they say, is to buy bonds in the developed countries and equities in the emerging markets. The bonds will yield a profit from the unexpected collapse in Western inflation rates (and therefore in interest rates) while the Third World equity portfolios will be plugged into the exhilarating 6 per cent a year growth curves in south-east Asia and Latin America.

It certainly looked a good story this week as the US Treasury bond bull market was further extended, whereas Western stock markets faltered.

However, a week is a short time in terms of a global strategy. You have to make several brave additional assumptions, not the least being that foreign investors will be permitted to make, *and eventually take*, a long-term profit in the fast-growing Third World. It is a lot easier to put the money in than to transfer it out again.

We have, after all, been here before. Eighty years ago, just ahead of the outbreak of the First World War, British investors often devoted half their portfolios to the exciting emerging markets of the time. To the extent that the capital was invested in North America they did well, but Latin America was a different story, as was Eastern Europe. Many of today's international investors, especially those in the US, are calculating that the Latin American countries are a reformed bunch (although Brazilian inflation at over 30 per cent *a month* is as bad as ever).

But the buyers of Latin American bonds learnt an expensive lesson in the nineteenth century, and the same grim fate befell the naive international banks in the 1970s. In some cultures, believe it or not, repaying foreign debts is not regarded as very important. Today's investors in Argentina, Brazil or Peru are seeking safety in equities rather than bonds, but will they really fare any better?

History does provide some positive messages. First the US, and then Japan several generations later, achieved the transition from an emerging economy to the status of a large, wealthy and stable nation with a secure framework of law and financial market regulation. Candidates for a similar transition include China, Russia, India, Brazil and Indonesia.

If you were the manager of a pension fund with a time horizon for your pension liabilities of 40 years or more you would want to take into account the possibility that one of these, like Japan, might grow within such a period to represent a quarter or more of the global stock market. Such reasoning lies behind decisions such as that of the Dutch bakery industry pension fund, which sounds a highly cautious institution to me, to invest possibly over $50m in Asian equities. The potential returns are certainly much higher than they are in dull old Europe. But whether retired Dutch bakers will benefit in the 21st century is another matter.

Certainly I would choose Asia rather than Latin America. But the ride could prove rather exciting. Emerging markets should be looked on to provide the cream rather than the basic crust.

Markets

I'd like you to meet my friend Zoot

By Peter Martin, financial editor

Look, here's the deal. I run the business, you own it. At the end of the year we divvy up the profits. You get what's left over after ploughing back some money into the business.

Sounds fair? There's just one little wrinkle, a technicality *really. Times are tough, so I'd* rather you didn't clean out the £20 in the petty cash tin. Instead. I'll give you this bit of paper. Here, I'll write £30 on it.

That means that instead of just owning 100 per cent of the business, you now own, er, 100 per cent of the business *including* a piece of paper. Not good enough? OK, my mate Zoot will buy the paper from you and pass it on to someone else. *And you'll get £30, less a little* something for his trouble.

But here's the thing: the taxman doesn't want to know about it. So everybody's happy. I'm putting the cash to good use – the Roller's looking a bit scruffy – you're putting one over on the taxman, and Zoot's found himself a nice sideline.

What's that? Bit puzzled? I know, this corporate finance stuff is tricky. Let's start again. I run the business . . .

* * *

This conversation, or something *like it, has been taking* place on every street corner in the City of London over the past couple of weeks.

Perfectly respectable finance directors, pin-stripes and all, have been elbowing each other off the pavement in Threadneedle St, handing out bits of paper with engraved curlicues around the side and the words Enhanced Scrip Dividend at the top. Since the beginning of September, *bean-counters from* P&O, BTR, Enterprise Oil, T&N, *Burmah Castrol* and Ladbroke – all substantial companies – have been thrusting their pieces of paper at passing shareholders.

On Thursday, for example, BTR declared an interim dividend of 4.95p (up 6.5 per cent), but offered a scrip alternative of shares worth 7.425p. If you're a BTR shareholder and you want want to *hold* on to your new shares, that's fine. If *you want to take the standard* dividend, instead of the scrip alternative, that's fine too.

But if you want to turn your 7.425p's worth of paper into real money, then BTR's friends at Barclays de Zoete Wedd will give you 7.2765p for it, 47 per cent more than you'd get by opting for the boring old cash dividend.

Advance Corporation Tax, which a company must pay *when it hands out a cash divi*dend, doesn't apply to the scrip alternatives. So a company that would otherwise pay out more in ACT than it can offset later against its mainstream corporation tax can use an enhanced scrip dividend to avoid this extra tax burden.

In the short run, this is one of those wheezes from which everyone gains, except the tax man (and investment trusts, which have a special tax status that makes it hard for them to *take up enhanced scrip divi*dends on the shares in their portfolio). But among the throng on the Threadneedle St pavement, you can find a clutch of investors furrowing their brows, and a bulky man in hush puppies peering uncertainly at his Tube map.

The investors are worrying if this is not simply a way for managements to achieve small-scale rights issues the market *might otherwise have been* sticky about. And the doubters *have a point: as the charts* show, though share prices usually rose at first for the pioneers of this device, back in the spring, the trend relative to the market for some of them has since been downwards. Still, when Coats Viyella came back with its second enhanced scrip dividend on Thursday, the market didn't blink. The shares rose 1p on the day and closed on Friday at 257½p, up 6p on the week.

More of a threat, perhaps, is *the bulky figure at the back of* the crowd: Mr Kenneth Clarke, *chancellor of the exchequer.* He may not be able to find Bill Bentley's *oyster-bar* unaided, but he can spot a legal loophole when he sees one. Since he has the opportunity to do something about such devices in November's Budget, companies are making the most of it while they can. T&N and Enterprise Oil, for example, used their interim results this week to offer enhanced scrip in lieu of the dividends they'd usually be paying at year-end.

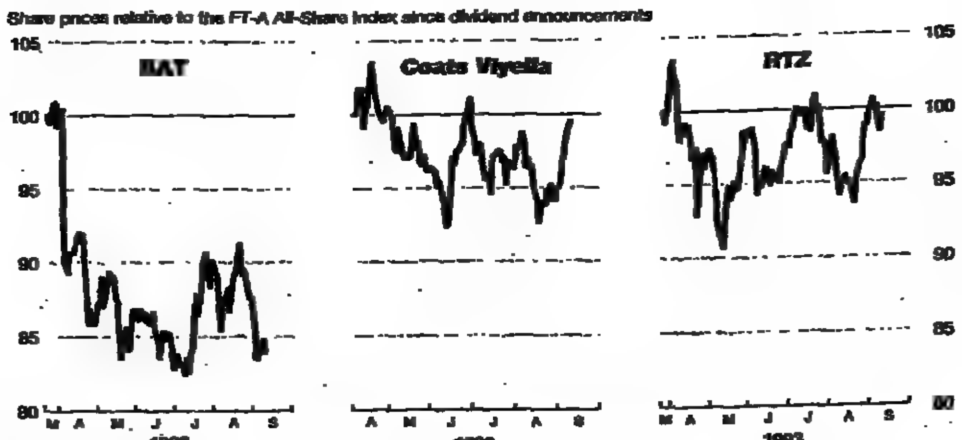
The interim reporting season isn't just about dividends, of course. It's also an opportunity for companies *to tell their* shareholders about how *they're doing* – and where they're going. Two big companies that reported this week sent investors mixed messages.

Glaxo told us that its wonder drug, Zantac, is even more of a wonder than everyone already knew: despite the product's maturity, its sales continue to grow at splendid rates. But by raising the dividend 29 per cent, the company focused renewed attention on the question of *whether it is able to* find enough lucrative invest*ments to absorb the £1.8bn in* liquid funds its success has generated. Glaxo's spectacular share-price slide relative to the market has stopped, for the moment at least. That leaves managers and investors free to ponder, calmly, a tricky question: if a company has a product outrageously blessed by fortune, how can shareholders be sure of getting the maximum return from it?

Cadbury Schweppes clearly thinks it has found the way to invest its shareholders' money effectively: by buying its way *into third place in a two horse* race. It launched a £324m *rights issue, with two thirds of* the money going to finance an agreed takeover for A&W Brands, the leading US producer of root beer. Together with its 25.9 per cent stake in Dr Pepper, maker of a soft drink which is even more of an acquired taste, this gives Cadbury hopes of assembling a third force in the US carbonated beverage market. Question: if you could choose the two companies in the world to be number three behind, would you pick Coke and Pepsi? Well, at least they didn't announce an enhanced scrip dividend.

Companies with enhanced scrip dividends

Share prices relative to the FT-A All-Share Index since dividend announcements



Source: FT Graphite

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993 High	1993 Low	
FT-SE 100 Index	3037.0	-20.3	3100.6	2737.6	Corporate results season
Babcock Intl	29¾	-12¾	50	29	Profits warning
Blenheim	328	-107	608	309	Concern over French trading
Blue Circle	281	+14	288	189	Results/UBS "buy"
Commercial Union	614	+26	667	556	Robert Fleming "buy" note
Courtaulds	523	-22	608	504	SG Warburg cuts forecasts
Dixons	234	+11	261	189	Positive agm
GUS A	2137	+114	2165	1563	Enfranchisement next month
Glaxo	640	+22	801	509	Big dividend rise
P & O Defd	611	-49	676	504	Gloomy statement/results
Pearson	533	+14	535	354	Boost from BSkyB figures
RMC	805	+27	823	556	German rate cut/firm builders
Slough Estates	241xd	+17	243	139½	Properties firm/BZW "buy"
SmithKline Beecham A	417	-37	513	389	FT-SE Actuaries position threatened
Thorn EMI	971	-33	1017	809	Downgrades on profits warning

Serious Money

Bonds that offer a saving grace

By Philip Coggan, personal finance editor

SHOULD your savings be in ICI's Eurosterling 1995 issue, instead of deposited in the building society? The idea is not as way out as it sounds.

In the US and on the Continent, it is quite common for private investors to own corporate bonds, or those issued by local authorities. Years of inflation have knocked the bond-owning habit out of the UK investing public. But if the 1990s really are to be an era of low inflation and low short-term interest rates, UK investors may be attracted by the corporate bond sector.

Investors have certainly shown enthusiasm for the permanent interest-bearing shares (PIBS) issued by building societies. These securities are actually a good deal more risky than many of the other corporate bonds on issue – which is why, of course, they pay a higher yield. PIBS are at the end of the queue when it comes to repaying building society creditors; most corporate bonds are close to the front of the creditors' queue.

Whether investors understand the risk is hard to say; some may have bought PIBS in the belief that they are just a different type of high interest account. But the name "*building society*" *is obviously a* source of much comfort; it is a long time since any investor lost out from a building society collapse.

If, however, you can buy PIBS because of the comfort offered by the name of, say, the Leeds building society, why not buy a bond issue, with much greater security, from Midland bank? The yield might be lower than on a PIBS issue, but it will be higher than on a gilt of the same maturity.

The main risk, when buying a long-dated corporate bond, is that the company concerned might not survive the many economic cycles over the coming decades. On issues of a similar maturity, the higher the yield on the bond concerned, the more the market is worried about the company's potential to survive. Conversely, *if investors* want the security of a blue-chip name, *they must* accept a lower yield.

Apart from the credit risk, there is also obviously a market risk of bond prices falling. Such has been the strength of the rally in bond prices over the past three years, fuelled by lower interest rates and falling inflation, that there must be a chance of a setback. *But if* investors are prepared to hold the bond *until maturity*, at least they know precisely what nominal return they will achieve. With many issues trading above face value, buying bonds may involve converting some capital into income.

There are many bond issues available, and other types of security – such as zero dividend preference shares – which may offer similar attractions to investors. On page V, Michael Dyson, a director of BZW Capital Markets, highlights a number of issues which he feels might be attractive to private investors.

Coincidentally, BZW's parent company, Barclays, launched a £100m Eurosterling bond issue *this week. It will yield around* 8.8 per cent, well above the *returns available on cash.* The bond has no repayment date, although Barclays has an option to repay it in 2017. Eurosterling bonds are normally issued in bearer form (which some private investors do not like for security reasons); the Barclays issue is also available in registered form.

□ □ □

IF YOU ARE at all interested in investment, you must have noticed that world stock markets were reaching record highs in August. You will probably also have realised that bonds have enjoyed a powerful rally, with the yield on US Treasuries falling below 6 per cent. In short, bond and equity investors have rarely enjoyed such happy times. So why, this week, did the Prudential, the UK's largest life insurance company, *make a provision* against further bonus cuts on its with-profits policies?

The reason dates back to the late 1980s *when* bonus rates were chased up by insurance companies eager to get a larger slice of the lucrative endowment mortgage market. The companies got used to an era when investment returns averaged between 15 to 20 per cent a year – and set their bonuses accordingly. Despite the recent rally, the 1990s have not matched those returns and bonuses need to be cut. In effect, policyholders are seeing the downside of the smoothing process, often touted as a benefit of endowment policies.

Prudential started *the adjust*ment earlier than most: it was one of the few *to cut* bonuses in the 1991 season, after the battering *taken by stock mar*kets in the 1990s. Other companies hoped that 1990 would prove an aberration and maintained their payouts; the present adjustment might, accordingly, be *sharper.*

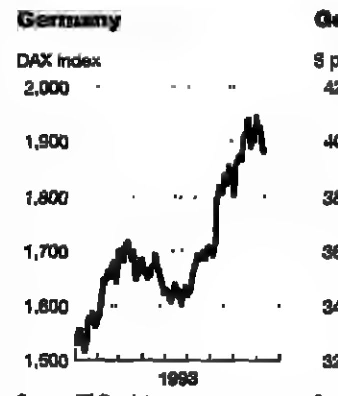
Holders of 10-year policies have tended to suffer most because short-term market movements have a greater effect on short-term policies. This could come as a shock to those who raced to buy policies in the months leading up to the abolition of life assurance premium relief in 1984.

The bad news for existing policyholders is that bonus cuts are likely to continue for some years as the industry adjusts gradually to the new conditions (assuming low inflation and low interest rates prevail). Of course, returns on other investments have also dropped. But a unit trust, for example, does not carry the historical baggage of an endowment policy: gains are not transferred between generations of investors.

AT A GLANCE

Germany

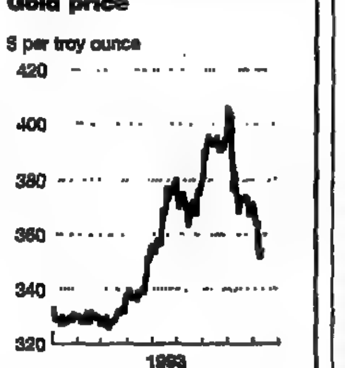
DAX index



Source: FT Graphite

Gold price

$ per troy ounce



Source: Datastream

DAX index closes slightly down on the week

The Bundesbank's move on Thursday to cut key interest rates by *half a percentage point had been widely anticipated by German* stock markets. The 30-share DAX index in Frankfurt dropped 4.48 points that day to 1,880.81, rather than rising as might have been expected. The fall was attributed to an unexpected strengthening of the D-Mark against the US dollar, which could hit export earnings. *The DAX index closed yesterday down 3.3* per cent on the week at 1,861.44. German equities have been falling since reaching a record high at the end of August, after a *three-month rally.*

Gold prices still in decline

Gold prices continued to decline this week. On Friday afternoon, gold was fixed at $351.50 a troy ounce in London, after a morning fixing of $356. The price has tumbled from a high of $405.70 an ounce at the peak of the recent rally on August 2. It has fallen about *$15 so far this month, and is now back to levels last seen in April.* One of the factors in Friday's price fall was an unexpected drop in the US producer price index. Recent trading has been driven largely by investment funds using computer investment programmes in the New York market, as physical demand for gold from traditional consumers in the Middle and Far East has been weakened by the high prices.

Deadline for BES investors

Business Expansion Scheme investors who did not use up their full £40,000 allowance in the 1992-93 tax year have only until October 5 to carry back tax relief. The maximum that can be carried back to *offset against last year's liability, is 50 per cent of their BES* investment in the current tax year to a maximum of £5,000. If you have invested only £8,000 before October 5, £4,000 can be carried back but if you have invested £30,000, you can carry back only £5,000. **More BES, page VII.**

Income trust relaunched

The Scottish Provident Global Income Trust is being relaunched as the Prolific Global Income unit trust, under the investment management of Prolific. Under its previous management, the fund was bottom of the international balanced sector over the five years to September 1 (source: Hardwick Stafford Wright), although it had *an above average performance over the past year.*

No-claims bonuses improved

General Accident and Lloyds Bank have both improved their no-claims bonuses for home insurance. GA has increased the discount for three claim-free years to 20 per cent from 15 per cent. The one-year discount is 5 per cent, and the maximum discount of 25 per cent is available after four claim-free years.

Lloyds is introducing a 10 per cent no-claims discount after one year to replace its 5 per cent "loyalty bonus" for customers renewing Value Cover home contents policies.

New smaller companies fund

Laurence Keen Unit Trust Management is launching a new Smaller Companies Fund, which will be managed by Hugh Priestley, who was previously in charge of the Witan investment trust. The trust will have an initial charge of 5.5 per cent and an annual charge of 1 per cent. The minimum investment will be £1,000. Over the week to September 9, the Hoare Govett Smaller Companies Index rose 0.1 *per cent from 1592.04 to 1593.62.*

Wall Street

And then the weather turned gloomy, too

AFTER a long and mostly rewarding ride, equity investors have unhitched their cart from the bond market bandwagon, at least for now. It was a wise move, because the road had become decidedly bumpy this week.

All summer, stock prices have been following bonds higher on the simple premise that higher bond prices mean lower interest rates. Lower rates stimulate economic growth and spur investors to switch their money out of low-yielding short-term assets into other potentially more rewarding investments, like equities.

On Tuesday, however, equity investors stopped paying *attention to what bond prices* were doing. On that day (the first trading day of the holiday-shortened week), bond prices soared, yet stocks dropped sharply. The same happened on Wednesday. Over the two days, the Dow Jones Industrial Average lost more than 50 points, yet the benchmark 30-year bond climbed more than a point, pushing the yield down to a record low of *5.87 per cent.*

On Thursday, the bond market suddenly slammed on the brakes and shifted into reverse as rumours surfaced that Congress was considering re-imposing a withholding tax on foreign investors' holdings of US government securities. Although insiders on Capitol Hill in Washington later insisted it was highly unlikely that such a tax would ever be passed, the story was enough to send the 30-year bond plummeting by more than a point.

The losses erased almost all of the week's gains and sent the yield back close to 6 per cent. The stock markets, however, ignored this apparent setback and share prices ended *Thursday unchanged.*

The pattern was repeated yesterday when unexpectedly good news on inflation – the producer prices index plunged 0.8 per cent in August – breathed new life into bonds, sending the 30-year up more than a point and the yield back down to 5.88 per cent. Stocks appeared unperturbed by the bond market's yo-yo-ing and by midday yesterday were trading marginally above Thursday's closing values.

The temporary de-coupling of the stock and bond markets is a reflection of the fact that equity investors, already nervous about the extent and pace of the stock markets' recent gains, have been growing equally apprehensive about the extraordinary performance of Treasury securities. Of the two summer rallies, the bond market's arguably looks the more overdone.

A small, but growing, band of Wall Street analysts seems *to think so. It is warning that* a substantial correction in fixed-income prices could be around the corner, especially if economic growth later this year picks up pace faster than anticipated. As one strategist put it this week: "The drop in interest rates was telling us we're heading into a recession. But if you look at most economists' predictions, no one is looking for less than 2.5 per cent growth in GDP."

Seasonal factors may also have played a part in the stock markets' poor performance this week. It escaped nobody's notice that New York's weather – which had been hot, dry and bright all summer, right up to and including Monday's Labor Day holiday (which marks the official end of summer for all Americans) – turned cool and damp on Tuesday.

Like the weather, stock market sentiment traditionally turns gloomy as autumn approaches. Investors have long memories and know that autumn – and October, particularly – can be the season of nasty surprises. Although this *wariness may be steeped more* in superstition than fact, there *are some solid* reasons for investors to tread carefully *over the coming months.*

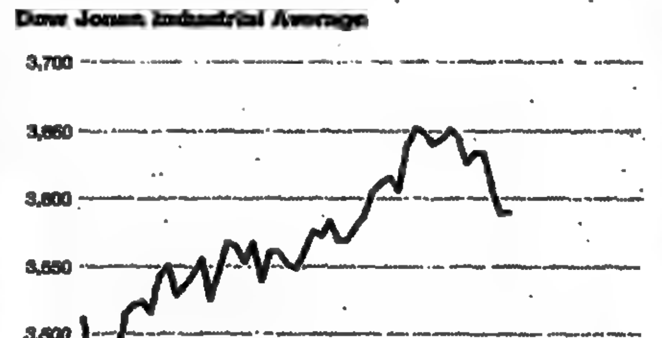
The political environment will liven up soon, with President Clinton facing tough battles on two important fronts: his plan for reforming the country's health-care system and the fight for the North American Free Trade Agreement. Both battles will be followed closely by financial markets. The third-quarter *reporting season is also on the* horizon, and investors are not *sure what to expect.*

Second-quarter results were not bad – *but nor were they* that good. Although there have not been *too many prof*its warnings from companies recently, there is a *feeling* that the string of disappointingly weak economic statistics released over the past few months could *show up in low*er-than-expected earnings.

One area of the economy where Wall Street is confidently predicting a good third quarter is the commercial banking industry. After a strong run early in the year, bank stocks were overlooked by investors in the summer rally. This week, however, banks suddenly returned to favour as several analysts selected the sector for attention and predicted healthy third-quarter earnings.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	Closed
Tuesday	3607.10 – 26.83
Wednesday	3588.93 – 18.17
Thursday	3589.49 + 00.56
Friday	

The Bottom Line

P&O steers a cautious course

PENINSULAR and Oriental Steam Navigation Company could have a lesson for the market as a whole. Like many UK companies which have reported results in the past few weeks, the *cautious* tone of its trading statement appeared at odds with *the gathering confi*dence that economic recovery is under way.

The City was disappointed with P&O's 11 per cent decline in net pre-tax profits to £80.1m and marked the shares down by 49p. They closed yesterday at 611p.

An *Indignant Lord Sterling*, the chairman, said that anyone who bothered *to* read the annual report would have known that the UK economic upturn was taking longer than expected and would not have allowed their expectations to race away.

"It is a delusion to think we can surge ahead while Ger*many and France remain deep* in recession," he declared.

P&O mirrors many aspects of the UK economy with its house-building, construction and property operations, while its passenger ferries also are exposed to consumer trends. *Sterling's message* that the recovery is patchy is, therefore, worrying news *for share*holders.

The only significant benefit derived from the end of the recession has been in terms of increased volumes, not in pre-tax profits before disposals.

Investors are being wooed with the prospect of a big dividend. *This cannot be justified* by the decline in net profits but, instead, in terms of the ambitious investment programme which, over the past six years, has totalled around £4bn.

Half of the spending has been used to expand the company's *operations in* transport and shipping. P&O hopes to increase significantly *its* 8.5 per cent return on capital employed.

There is, however, unlikely to be any big return from the new shipping fleet until well into the next century.

That might be good news in the long term but it is not balancing the short-term needs demanded by the City. Ian Wild, transport analyst at Barclays de Zoete Wedd, said: "The market wants short-term performance and long-term growth. P&O is delivering on the latter but not the former."

To be fair to P&O, it has shored up the balance sheet since it most felt the strain *from the capital spending pro*gramme back in August 1991. At that *stage it chose to ask* investors for £604m through a rights issue to cut gearing which started that year at 80 per cent but rose by the half-way stage to nearly 100 per cent.

After the sale of Sutcliffe, the *contract* caterer, borrowings fell from £1.89bn at the end of *December 1992* to £1.73bn at the end of June, representing gearing of 70 per cent.

Further disposals are expected to follow this week's announcement of the sale of *Buck* and Hickman, a distributor of engineers' supplies, to Charles Baynes for £32.5m.

A scrip dividend further eases the pressure *on* the balance sheet since it effectively works as a minor rights issue. If all shareholders take up the scrip dividend alternative the group would retain cash of £163m.

This represents a saving on the 1993 dividend of £128m and a further £35m *of* advance corporation tax. Sterling says he would have been "daft" to have thrown away the chance of conserving cash.

The scrip dividend could, however, only defer financial problems. If taken up fully, it will expand P&O's equity by about 6 per cent – which will prove expensive to finance given the stock's yield of 6.5 per cent.

P&O could accelerate its disposal programme to generate more cash, or embark on a more radical solution by demerging its property and construction interests. The problem with both *options* is that they would deprive the company of more of its stable earning contributions.

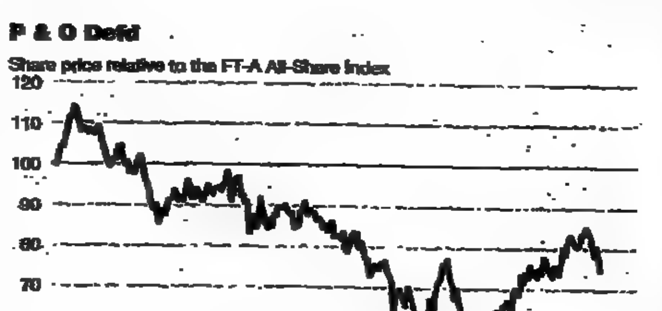
A more robust economic recovery would help. But as Sterling said earlier this week, that is unlikely.

The company's investment could pay off in the long term but, for the immediate future, its performance is unlikely to recommend it to investors.

Roland Rudd

P & O Defd

Share price relative to the FT-A All-Share Index



Source: FT Graphite

FINANCE AND THE FAMILY

The price of knowledge

***Bethan Hutton** on ways for parents to meet soaring university costs*

IF YOUR child started at senior school this week, finding the money for an eventual university course might not be uppermost in your mind. But, as growing numbers of teenagers opt to stay in full-time education after age 18 and more parents need to find thousands of pounds for a student offspring's living costs, now could be the time to start planning.

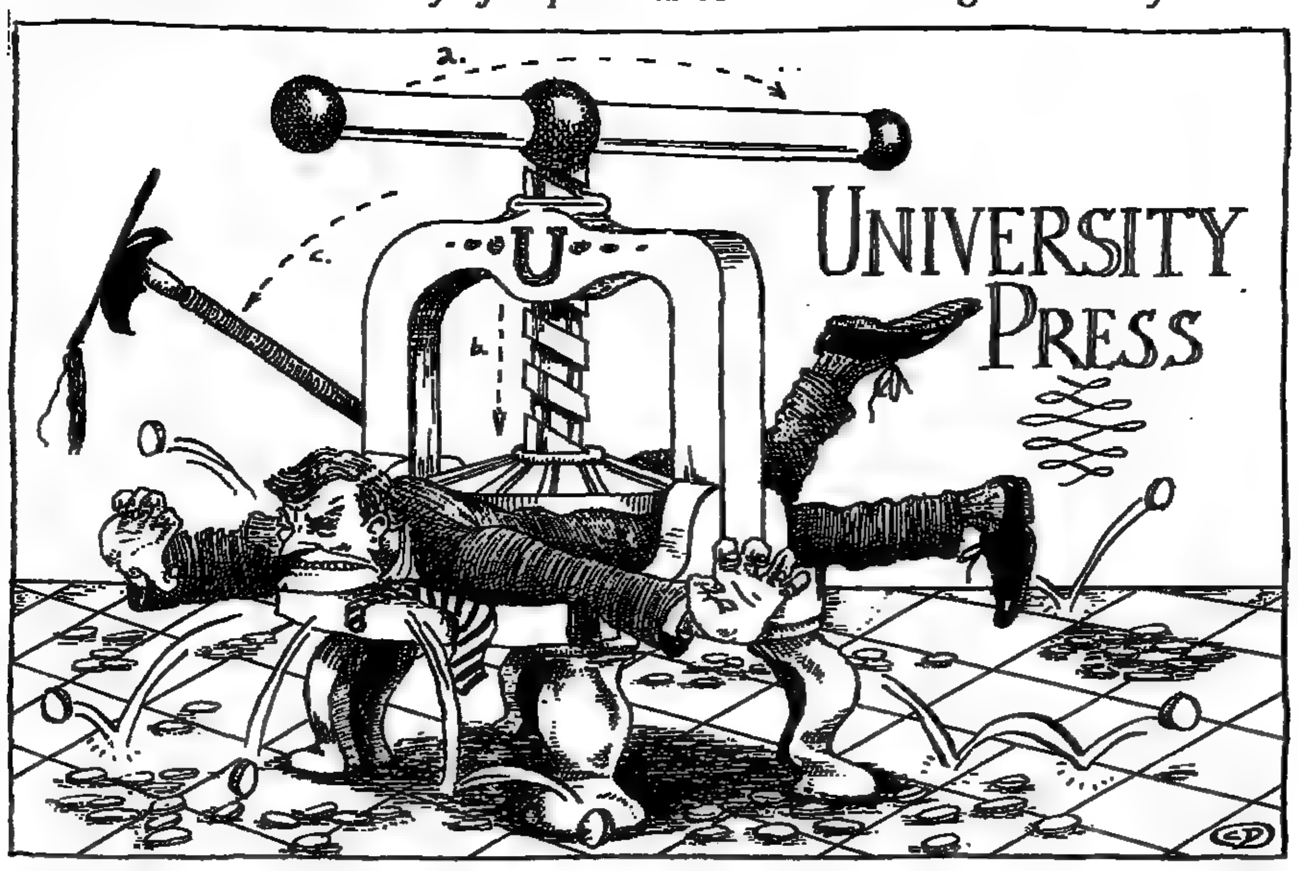
While you can choose whether to pay fees for an independent school, you will not have a similar choice about paying for your child's living expenses when it comes to university: grants are means-tested and based on parents' gross income, with deductions allowed for interest on mortgages up to £30,000, and some other expenses eligible for tax relief.

Parents with a joint residual income of more than about £14,000 must start contributing to their children's maintenance at university. With an income of more than about £33,000, they must meet one child's full costs.

Some parents may have been alarmed by the London School of Economics' announcement earlier this year that it was considering charging students (or their parents) top-up tuition fees. While the proposal was rejected, the possibility remains for other institutions. Later this month, the Committee of University Vice-chancellors and Principals is due to discuss four proposals to change the way higher education is funded, all of which would involve graduates paying for courses in some way.

The option most likely to be favoured is one based on the recently-introduced Australian system where students take out a loan – either interest-free or with a low rate – to pay tuition fees in advance. These are provided by the government and they are paid back through the national insurance or tax system once students graduate and find jobs. Graduates on low incomes can defer payment.

In the UK now, most students struggle to manage even with a full grant (now £2,845 in London and £2,265 elsewhere) and the maximum student loan (£940 in London, £800 elsewhere). Total state support has not kept pace with inflation, particularly when social security benefits are considered – students can no longer claim income support during vacations, or housing benefit.



Grants for students in London are weighted to take account of higher housing costs, but rents can be almost as high in some other university towns, such as Brighton and Oxford, where students get no extra help.

If you are the kind of parent who would prefer to shield your children from such debt, you could have to find £4,000 or more per student a year – similar to independent day school fees. Tuition fees, if imposed, could push up costs to the level of exclusive boarding schools.

Financial planning for school fees has spawned its own small industry. Planning for university costs is not yet so widespread, but interest is growing as more parents realise how much they are likely to have to spend. Specialist school fee advisers usually can help with higher education, as can most non-specialist independent financial advisers.

Making provisions in advance can also reduce the amount you actually pay if you make the right choice of investments. Flexibility is greatest if you can start planning at least 10 years in advance; but even five years ahead, you can take advantage of some tax-free savings schemes.

The range of products to consider will depend on each family's circumstances, but it usually includes personal equity plans (Peps), pensions, building society accounts, tax-exempt special savings accounts (Tessas), National Savings, unit and investment trusts, and with-profits endowment policies.

Some insurance companies offer educational planning advice, but their solutions tend to be biased towards endowment policies rather than using the full range of investments available to independent financial advisers.

Advisers stress the importance of diversifying, and tend to emphasise less risky investments. Tony Murrell, of financial adviser Fraser Marr, usually goes mainly for low-risk products, even for parents starting to save very early on. He does not recommend that more than 50 per cent of the portfolio should be put into equity-based investments – the stock market has a nasty habit of taking a dive just as parents need to draw on their investment.

> *'While you can choose whether to pay fees for an independent school, there is no such choice about meeting living expenses at universities'*

Charles Levitt-Scrivener, divisional director of Towry Law, which has produced an information sheet on planning for university costs, says parents of potential university students can be divided into three categories: low earners, whose children are likely to get a full grant; medium earners, who will have to pay some maintenance; and high earners, whose children probably will not be eligible for any grant assistance.

He says the first group is unlikely to be able to save much, even if it wants to provide additional support on top of the grant to keep its children out of debt. Planning is a realistic possibility for the second group, but care must be taken that savings do not reduce the amount of grant assessable. Tax-free investments – such as Peps, Tessas, with-profits endowments and some forms of National Savings – should be used as far as possible. Those in the third group must resign themselves to paying the full costs but planning can make things easier. The range of possibilities is similar to the second group, with the addition of some of the more sophisticated investment options, such as offshore roll-up funds.

Levitt-Scrivener says these can be useful because no tax is payable during the lifetime of the investment. If the parents make a gift of the investment to their children, tax will be assessed against their income when the investment is cashed – and this income will usually be low enough to avoid paying tax.

The two main National Savings products recommended are the yearly plan and children's bonds, both of which are tax-free if held for five years. The yearly plan allows parents to save up to £400 a month for 12 months, while the maximum deposit in the children's bond, available to under-16s, is £1,000.

Tessas, available at most banks and building societies, earn tax-free interest if the capital is not touched for five years. A maximum of £9,000 can be invested, staggered over five years. It is also sensible to keep back-up savings in another building society account with fewer penalties for early withdrawal.

A maximum of £9,000 a year can be invested in Peps, of which £6,000 can be in a general Pep and £3,000 in a single company one. Income and capital gains from Peps are tax-free. Income from unit and investment trusts is taxable, but capital gains are not counted when the grant entitlement is being calculated.

Business expansion schemes, such as the popular contracted-exit ones offered by a number of universities, are a highly tax-efficient investment at the moment, but they are due to be abolished at the end of the year.

They could be worth thinking about for higher-rate taxpayers who expect to have a child at university in five years' time, when the present batch of schemes matures.

Parents who expect to qualify for some grant may want to consider increasing contributions to a personal pension scheme, or additional voluntary contributions to a company or free-standing scheme, as this will reduce the amount of residual income against which the grant is assessed.

S&P slashes card rate

*Investment group throws down challenge to bigger rivals, says **Scheherazade Daneshkhu***

IAN LINDSEY is more than just positive about the new Visa credit card launched this week by Save & Prosper, the investment group of which he is a director. "Customers would be absolutely stupid not to apply," he says.

S&P's card undercuts the competition significantly. The annualised percentage rate of 14.6 per cent compares with 22.9 APR with Barclaycard and 23.9 APR on National Westminster's Visa card. These are the two largest issuers, with just under 13m cards between them compared with S&P's 100,000. S&P customers can also choose their statement date and apply for a Mastercard at no extra charge.

So, are there any drawbacks? Until this week, S&P applicants could choose between a fee-free card with an interest rate of 23.1 APR, or a card with a £10 annual fee and an interest rate of 21.3 APR.

These cards have now been dropped for new applicants, although Lindsey says those who have them will not have their terms and conditions changed.

The £12 annual fee – £2 higher than the old one – is reflected in the APR figure, which also includes the monthly rate of interest. But it does not take into account the date from which interest is charged.

Unlike the other issuers, who levy interest from the date of transactions for those not paying off their bill in full each month, S&P in the past charged interest only from the statement date – which is more favourable for customers. It says this meant a rate 3 per cent lower than for cards with the same monthly interest rate and annual fee, but that this difference was not reflected in the APR figure.

"The APR is said to be a guide to the cost of credit but, in our experience, it is one of the most misleading statistics which parliament has ever required banks to quote," says Lindsey.

The group has called regularly for a change but has been told by the Department of Trade and Industry that a new formula would be too complicated.

Lindsey says there was no choice but to charge new cardholders interest, where appropriate, from the transaction date.

S&P denies it will raise the rate in due course, as rivals have claimed. "If the general level of interest rates remains unchanged for the next decade, then our rate will not change; that's a cast-iron guarantee," vows Lindsey – who believes his rivals overcharge customers.

Paul Bateman, S&P's chief executive, says the rate can be sustained because the group's operations are linked to the money market, which reflects base rates of 6 per cent at present.

Some of the associated charges on the new card can be higher than for other issuers. S&P could charge £25 to replace a stolen or missing card and £15 for obtaining a carbon copy; Barclays issues new cards free and charges only £3 for a carbon copy.

Lindsey says, however, that these charges will usually be applied only when customers regularly (and wrongly) challenge transactions or if they lose their card often. He stresses that they are intended to combat fraud.

Applicants for the new card must own their home, be a UK resident, have a regular income and a clean credit record. Those earning less than £10,000 a year are unlikely to qualify. The £12 annual fee is waived until March 1994 for those applying before November 26.

FINANCE AND THE FAMILY

Low-cost endowment picture changes

Lautro's revision of rates to determine benefit illustrations looks set to hike premiums, says **Eric Short**

PREMIUMS on low-cost endowment policies could rise from November 1 when life *companies will be required to* switch to a new illustration basis.

The premiums are determined by assuming an investment rate over the term of the contract, so that the premiums, less charges and mortality costs, accumulated at this assumed rate of return will be sufficient to repay the mortgage total.

The higher the assumed rate of investment return, the lower the premium. However, if the life company does not achieve that return (and the higher the rate, the greater the chance of not achieving it) then the ultimate maturity value will fall short of the value of the mortgage and the housebuyer will have to make up the difference.

However, unless this feature *is pointed out to housebuyers*, many would not appreciate the potential danger of underperformance on the maturity value and the financial consequences to them. *One purpose* of illustrating benefits is to *indicate the downside* as well as the upside in a life assurance contract.

The basis under which life companies prepare benefit illustrations is determined by Lautro, the industry regulator. Under the present system, Lautro lays down the values of all the parameters used in the calculations – the investment returns, the mortality rates and the charges.

Benefit illustrations currently have to be shown for two investment returns – the objective being to indicate variation in benefits from different investment returns. The rates for life assurance contracts are based on net investment returns of 7 per cent and 10.5 per cent.

Life companies can show benefits on other investment *returns, provided they fall* between the two rates.

A common, but by *no means* universal, rate of return used to calculate low-cost endowment premiums is 7.5 per cent net. When this is shown alongside the present Lautro illustration basis – as shown in the table – the maturity shortfall at 7 per cent appears insignificant – if one can regard £3,600 as insignificant.

But under the revised Lautro basis, the illustrations must be calculated on new rates of return – 5 per cent and 10 per cent net. Those figures highlight the effect of investment *underperformance, as seen* from the table.

At 5 per cent, the maturity value would be just £34,400 – *only 68.8 per cent of the mortgage* amount. In this example, the houseowner would have to find £15,600 from other sources to pay off the mortgage.

Of course, under modern low-cost endowment contracts, the premiums are not fixed throughout the term. The progress of the contract is checked periodically and if there is an investment shortfall the premiums are increased.

Nevertheless, many housebuyers taking out low-cost endowments do not expect to pay higher premiums at a later *date. Such a change invalidates* any comparisons made with the costs of repayment mortgages.

Life companies, particularly those currently assuming a rate higher than 7.5 per cent, are considering whether to calculate low-cost endowment premiums on a lower assumed investment return. The shortfall with the 5 per cent illustration would then not look so bad.

The eventual maturity value on a low-cost endowment, for those contracts which are held to maturity, will depend on the actual investment return achieved by the life company over the term of the contract. Neither the officials at Lautro nor life company investment managers can predict what that return will be.

What the new illustration basis does show, however, is that investment returns over the remaining years *of this* century and the early years of *the next century are not* expected to show the same high *returns achieved* in the 1980s, in spite of the UK equity market *reaching new heights* this year. It also shows investors the ultimate cost if the life company concerned fails to achieve the assumed investment and the likelihood of premiums being increased in the future.

Hence, those housebuyers who still intend to, or are persuaded to, repay their mortgages through low-cost endowments should look carefully at the assumed investment return – *it will be shown on the quotation* – and the size of the shortfall *shown on the 5 per* cent illustration.

Low-cost endowments could take an even harder knock *sometime in 1994 when* illustrations will have to be *produced on an own charge basis*, when the life company must *use its own charges* in calculating the benefits and not the *standard Lautro charges*.

Periodic surveys of low-cost endowments in *Money Management* include illustrations on an own charge basis using the same rate of return. The latest survey revealed differences of one-third between the life companies with the lowest and highest charges.

Illustrative maturity values for low cost endowment policy. Rate of return(net)

Old basis		New basis		assumed return
7%	10.5%	5%	10%	7.5%
£46,300	£78,800	£34,400	£73,000	£50,000

Source: Lautro/Standard Life. Mortgage £50,000 over 25 years taken out jointly by a man aged 29 and a woman aged 26 - repaid by a low cost endowment. Monthly premium £73.85 assuming a 7.5 per cent net rate of return.

News in brief

ALLIED *Dunbar has launched* a distribution bond, a unit-linked investment where income is paid in the form of more units. The bond is structured into two funds: Capital, split between equities, property, and gilts; and Cash. *Twice a year, the income on* the Capital fund is transferred to Cash. Withdrawals are *then* taken mainly from the latter.

Investors can take withdrawals as a fixed percentage each year; as a fixed amount of cash each year; or simply *the amount distributed* from Capital to Cash. Payments can be monthly, quarterly, half-*yearly or yearly*. Minimum investment is £5,000; investments *of more* than £15,000 get an extra 1 per cent allocation *of* units. The initial charge is 5 per cent and the annual *management* charge is 1½ per cent.

* * *

LEEDS & Holbeck building *society has launched* a *Guaranteed* Equity bond which offers investors who are basic-rate taxpayers 75 per cent of the rise in the *FT-SE over five* years, or a minimum rise of 25 per cent. The return equates to 60 per cent of the rise in the *Footsie for top rate-payers* and 100 per cent for non-taxpayers. Minimum investment is £3,000 and withdrawals can be made after two years.

* * *

ALLIANCE & Leicester building society is launching a five year *"step-up"* investment bond where the rate of interest grows annually. *In year one*, it will pay 6.25 per cent gross *(4.69 per cent net); year two*, 6.5 per cent (4.87 per cent); year three, 6.75 per cent (5.06 per cent); year four 7.25 per cent *(5.44 per cent)*;and year five, 8 per cent (6 per cent). *Minimum investment is* £1,000, or £2,500 for those who want monthly income. No withdrawals are allowed during the term, but closure is permitted subject to the loss of 180 days' interest.

* * *

CHELTENHAM & Gloucester building society is offering *two new mortgages for the* first-time buyer. One option is a 4 per cent discount off the society's variable rate until June 30 1994, resulting in a rate of 3.99 per cent (APR 8.1 per cent). *The fixed-rate option* over the same period is 4.95 *per cent (APR 8.1 per cent)*. After June 30, the loan reverts *to C&G's variable rate*; those redeeming within three years will be charged a fee equivalent *to four months' interest*. *Both options are available to* buyers with a 10 per cent *deposit and seeking* a loan of less than £70,000.

The Week Ahead

CURRENCY effects should help Inchcape, the international services and marketing group, to report on Monday *a lift in half-year* pre-tax profits from £117m *to more than £140m. The recovery* in UK car sales will be balanced by the downturn in the continental European market. Continuing growth in Hong Kong will *also mask more difficult* trading conditions in Japan, but the group will be quizzed closely over the future of China's experiment in rapid economic development.

British Aerospace is expected *to return in the black* when it reports its interim results on Wednesday. Analysts expect it to show a small pre-tax interim profit ranging from £20m to £50m, *against an interim loss of* £129m last time. The figures will *confirm the company's gradual* turn-round, although core military profits are likely to show a decline. Losses in the civil aircraft side of the business will be covered by the hefty provisions made last year.

Monday also *sees* Dalgety announcing its full-year results. Something between a conservative £119m and £123m is expected, but the pre-tax figure will mask a motley collection of divisional results.

Agribusiness and ingredients should be good, although the consumer goods, snacks and pet-care sides will probably have performed less well in tough and *ever more competitive* trading environments. The final dividend is forecast at between 12.3p and 13.65p for a total between 20.2p and 21.55p, against 19.5p last time.

On Thursday, United Biscuits is expected to report only a modest *first-half* recovery after the profits collapse inflicted by the US cookie wars a year ago. Forecasts range from £70m to £73m, *compared with £70m last time*. Any improvement by Keebler, the US snacks and biscuits division, is expected to be offset by margin pressures on McVitie's in *the UK* and a *flat* performance by Smiths, the Australian snacks business acquired last year.

Also on Thursday, Laporte, the speciality chemicals group which in January snatched Evode, the chemicals and plastics group *from the jaws of* Wassall, is expected to report interim pre-tax profits of between £46m and £49m. Last time it made £44.5m.

On Wednesday Taylor Woodrow is expected to swing back into the black with interim pre-*tax profits of around £10.5m* compared with a £18m loss last year.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS					
British Data Management	BsSr	Tuesday	-	1.0	1.5
BZW Convertible Inv Tst	InTr	Tuesday	1.5	3.3	1.5
CALA	C&C	Wednesday	1.15	1.15	0.75
Dalgety	FdMf	Monday	7.5	12.0	7.65
Domestic & General	InCn	Tuesday	6.0	12.0	7.5
English China Clays	Otln	Wednesday	6.5	13.4	-
Everest Foods	FdMa	Wednesday	2.2	4.8	1.2
Exeter Pfd Capital Inv Tst	InTr	Wednesday	-	0.939	-
FII Group	Misc	Monday	5.5	8.5	6.0
F & C High Income Tst	InTr	Wednesday	1.2	1.32	1.2
Gent (S.R.)	Text	Wednesday	0.75	1.25	0.75
Kleinwort Development Fund	InTr	Monday	2.75	7.75	2.75
Logica	Elec	Thursday	1.15	2.5	1.25
Pantheon International	InTr	Thursday	-	2.5	-
Photo-Me International	H&L	Thursday	1.3	3.1	1.4
Pict Petroleum	O&G	Thursday	-	-	-
Polypipe	BdMa	Tuesday	0.63	1.34	0.63
Scholes Group	Elec	Tuesday	1.6	3.4	1.8
Second Alliance Tst	InTr	Monday	12.0	34.8	12.5
Sirdar	Text	Thursday	1.55	3.5	1.65
UK Land	Prop	Monday	-	-	-
Verity Group	H&L	Wednesday	-	-	-
Welsh Indl Inv Tst	InTr	Friday	-	4.7	-
INTERIM DIVIDENDS					
APV	Eng	Thursday	2.0	3.4	-
Associated British Ports	Tran	Thursday	3.25	5.25	-
Avonmore Foods	FdMa	Tuesday	-	-	-
Bentalls	Strs	Thursday	0.6	1.3	-
Billam (J.)	M&MF	Monday	1.8	3.1	-
Bluebird Toys	Misc	Wednesday	-	4.5	-
Bowthorpe	Elec	Wednesday	1.79	4.57	-
Bredero Properties	Prop	Wednesday	-	-	-
Britannia Group	C&C	Tuesday	-	-	-
British Aerospace	EnAe	Wednesday	3.0	4.0	-
British Fittings Group	BsSr	Thursday	0.5	1.0	-
British Mohair Holdings	Text	Thursday	1.4	7.1	-
British Polythene Holdings	PP&P	Monday	3.5	6.5	-
Britton Group	O&G	Thursday	-	0.03	-
Brooks Service	BsSr	Wednesday	-	-	-
Calor Group	O&G	Wednesday	6.0	8.0	-
Candover	InTr	Monday	6.5	-	-
Delta	Elec	Tuesday	4.2	8.8	-
Devro International	FdMa	Wednesday	-	-	-
Dewhirst Group	Text	Monday	0.32	0.68	-
Dowding & Mills	Elec	Thursday	0.92	1.58	-
East German Inv Tst	InTr	Wednesday	-	0.2	-
EBC Group	C&C	Tuesday	1.75	2.28	-
Edmond Holdings	C&C	Thursday	0.35	0.18	-
EIS Group	Eng	Monday	3.22	6.775	-
English China Clays	Otln	Wednesday	6.5	13.4	-
ERA Group	Strs	Thursday	-	-	-
Estates & General	Prop	Monday	-	-	-
Emess	Elec	Tuesday	-	1.0	-
FBD Holdings	InCn	Wednesday	-	-	-
Finlay (James)	FdMa	Tuesday	2.16	-	-
Folkes Group	Eng	Thursday	0.575	0.925	-
Forth Ports	Tran	Monday	2.0	4.25	-
Goal Petroleum	O&G	Tuesday	-	1.4	-
Hartons	Chem	Tuesday	-	-	-
Hewitt Group	Otln	Tuesday	1.25	1.75	-
Heywood Williams	BdMa	Monday	4.5	8.0	-
Hornby	Misc	Friday	-	9.0	-
Inchcape	BsSr	Monday	5.4	8.35	-
International Food Machinery	BsSr	Thursday	-	-	-
ISA International	Elec	Tuesday	0.482	1.018	-
Jeyes Group	H&H	Tuesday	3.1	4.5	-
Kingfisher	Strs	Tuesday	4.2	9.6	-
Kingspan	BdMa	Thursday	-	-	-
Kwik-Fit Holdings	Mtrs	Thursday	2.0	-	-
Lambert Howarth Group	Misc	Wednesday	4.25	6.75	-
Laporte	Chem	Thursday	7.0	12.8	-
Laser-Scan Holdings	Misc	Friday	-	-	-
LASMO	O&G	Wednesday	2.3	1.0	-
Legal & General Group	InLf	Thursday	6.2	12.9	-
London Forfaiting	OtFn	Tuesday	5.5	-	-
Lopex	Med	Tuesday	-	-	-
Magellan Industries	Text	Tuesday	-	1.4	-
Magnolia Group	H&L	Friday	-	0.1	-
Martin Currie Pacific Tst	InTr	Friday	-	0.4	-
Matthews (Bernard)	FdMa	Wednesday	1.0	1.25	-
Merchants Tst	InTr	Monday	2.65	2.65	-
Mirror Group Newspapers	Med	Wednesday	-	-	-
Molins	Eng	Friday	4.6	9.5	-
Murray European Inv Tst	InTr	Thursday	-	0.16	-
National Express Group	Tran	Tuesday	-	-	-
Nestor-BNA	H&H	Monday	1.16	2.0	-
New City & Commercial Inv Tst	InTr	Thursday	-	-	-
North Atlantic Smaller Co's	InTr	Friday	-	1.2	-
OIS International Inspection	BsSr	Wednesday	-	-	-
Oliver Group	Strs	Wednesday	-	-	-
Paramba	OtFn	Thursday	0.55	0.55	-
Pendragon	Mtrs	Monday	2.2	4.4	-
Premier Consolidated Oil	O&G	Monday	-	-	-
Proudfoot	BsSr	Friday	6.0	6.0	-
Record Holdings	Eng	Wednesday	1.16	2.45	-
RJB Mining	Otln	Thursday	-	-	-
RMC Group	BdMa	Thursday	6.6	13.4	-
Roskel	BdMa	Wednesday	1.3	3.0	-
Russell (Alexander)	BdMa	Tuesday	1.0	-	-
Sanderson Murray & Elder	Mtrs	Thursday	0.6	1.4	-
Savoy Hotel	H&L	Wednesday	-	7.0	-
Scottish Heritable Tst	Cngl	Thursday	-	-	-
Select Appointments	BsSr	Monday	-	-	-
Sharpe & Fisher	BdMa	Monday	1.5	2.5	-
Sheffield Insulations Group	BdMa	Thursday	1.8	3.6	-
Steel Burrill Jones	InBr	Tuesday	4.25	9.0	-
Taylor Nelson	Med	Wednesday	0.1	0.2	-
Taylor Woodrow	C&C	Tuesday	0.5	0.5	-
Torday & Carlisle	Eng	Tuesday	-	-	-
Trans World Communications	Med	Tuesday	-	0.8	-
Trinity International	Med	Tuesday	2.7	6.0	-
Try Group	C&C	Wednesday	0.5	0.5	-
United Biscuits	FdMf	Thursday	5.5	9.8	-
United Friendly	InLf	Tuesday	4.9	9.6	-
Wassall	Cngl	Thursday	0.8	1.7	-
Waterford Foods	FdMa	Wednesday	-	-	-
Watmoughs	Med	Tuesday	2.7	8.8	-
Whatman	H&H	Thursday	3.1	6.4	-
WSP Holdings	Misc	Tuesday	1.1	0.9	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ¼ = 1st quarter figures. † = Figures quoted in US cents.
Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Assoc Fisheries	199§§	170	124	8.73¼	Linton Park
Man Ship Canal	£33½*	£29⅝	£21½	£26.80 †	Peel Hldgs
P-E Intl.	71½	72	65	15.64	Cray Elect
Watts Blake	420*§	425	391	87.33	Sibelco

*All cash offer.††Value of bid based on 30% stake. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 3/9/93. §§Shares and cash. †Value of bid based on remaining 20% of shares. ¼Value of bid based on remaining 25% of shares. ‡ Figures all quoted in Irish currency

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Adscene Group	Med	May	2,100	(1,610)	10.1	(8.5)	5.0	(4.3)
Black (Peter)	Misc	Jun	9,080	(6,470)	11.18	(7.92)	3.7	(2.94)
BSkyB	N/A	Jun●	54,100	(39,800 L)	-	(-)	-	(-)
Cambridge Group	Prop	May	35,440¼L	(5,020)	-	(6.31)	-	(-)
Carlors	Strs	Apr	1,670	(2,100)	6.66	(9.02)	4.0	(4.0)
China & Eastern Fund	OtFn	Jul§	1,350	(453)	0.066	(0.023)	8	(7)
Davies (D.Y.)	Prop	Apr	684 L	(1,670 L)	-	(-)	-	(-)
Fleming O'seas Inv	InTr	Jun†	306.6	(214.7)	4.76	(4.0)	4.2	(4.0)
Glaxo	H&H	Jun	1.67bn	(1.42bn)	39.9	(34.3)	22.0	(17.0)
Haynes Publishing	Med	May	4,000	(2,400)	26.48	(14.53)	8.0	(6.0)
Industrial Control	Elec	May	6,230	(4,640)	9.8	(9.1)	4.4	(3.3)
Isotron	H&H	Jun	3,110	(2,740)	17.3	(14.6)	4.34	(3.94)
Macro 4	Elec	Jun	10,500	(8,750)	31.5	(26.5)	17.75	(17.75)
Nihz Indl Improvement	OtFn	Mar	444	(426)	27.55	(24.7)	25.0	(23.0)
Phoenix Timber	BdMa	Mar	1,940 L	(1,960 L)	-	(-)	-	(-)
Roxspur	Misc	May	125 L	(755 L)	-	(-)	-	(-)
TR European Growth	InTr	Jun	117.64	(97.88)	2.61	(2.29)	1.7	(1.35)
Wills Group	BsSr	Jul	1,580	(519)	1.6	(0.73)	0.4	(0.1)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Albany Inv Tst	InTr	Aug	139.77	(98.21)	1.25	(1.25)
Amec	C&C	Jun	9,100	(10,600)	1.5	(2.0)
Arjo Wiggins Appleton	PP&P	Jun	63,000	(99,100)	2.65	(2.65)
ASW Holdings	M&MF	Jun	1,500	(2,100 L)	3.0	(3.0)
Avonside Group	C&C	Jun	2,200	(2,800)	1.9	(1.9)
Bailey (Ben) Constn	C&C	Jun	77	(550 L)	0.3	(0.25)
Baird (William)	Text	Jun	8,770	(10,000)	3.55	(3.55)
Beynes (Charles)	Otln	Jun	3,270	(1,820)	0.575	(0.525)
Blenheim Group	Med	Jun	15,400	(13,100)	3.4	(2.5)
Blue Circle	BdMa	Jun	60,500	(65,400)	3.75	(3.75)
Boddington	B&D	Jul	25,200	(9,700)	2.85	(2.8)
Booker	FdMa	Jun	29,900	(36,800)	7.5	(7.5)
Bramner	Eng	Jun	71,200	(56,100)	4.5	(4.5)
British Dredging	BdMa	Jun	739	(535)	[illegible]	(2.0)
British Gas	O&G	Jun♦	634,000	(637,000)	6.4	(6.4)
British Vita	Chem	Jun	16,300	(26,900)	3.65	(3.5)
Brown & Jackson	Strs	Jun	11,450 L	(9,730 L)	-	(-)
BTR	Otln	Jun	602,000	(546,000)	4.66	(4.66)
Bunzl	PP&P	Jun	26,000	(21,700)	1.5	(1.8)
Burford	Prop	Jun	1,930	(1,380)	0.65	(0.5)
Bemfield	Elec	Jul	1,270	(1,100)	1.65	(1.65)
Cadbury Schweppes	FdMa	Jun	166,200	(125,900)	3.6	(3.3)
Cairn Energy	O&G	Jun	641	(167 L)	-	(-)
Cakebread Robey	BdMa	Jun	106	(667 L)	-	(-)
Christies Intl	Misc	Jun	7,060	(2,110)	2.5	(2.5)
Claremont Garments	Text	Jun	4,420	(2,630)	3.6	(3.3)
Cluff Resources	MnFn	Jun	661	(915)	-	(-)
Coats Viyella	Text	Jun	62,800	(45,400)	3.25	(3.0)
CRH	BdMa	Jun‡	25,100	(22,600)	2.34	(2.25)
Croda International	Chem	Jun	18,500	(14,300)	2.95	(2.75)
Eadie Holdings	Eng	Jun	850	(85)	0.3	(-)
EFM Income Tst	InTr	Jul¶†	50.2	(45.9)	1.0	(1.0)
Enterprise Oil	O&G	Jun	80,100	(34,600)	9.5	(9.5)
Expamet Intl	Otln	Jun	1,950	(6,810§§L)	1.25	(2.25)
Fairey	Elec	Jun	10,200	(8,100)	3.8	(3.3)
Fairhaven	O&G	Jun§	37,400	(9,270)	0.5	(0.2)
Fisons	H&H	Jun	46,400	(45,700)	3.3	(3.2)
Friendly Hotels	H&L	Jun	679	(909)	2.2	(2.2)
Frost Group	Misc	Jun	3,340	(2,570)	2.2	(1.9)
Great Southern Group	Misc	Jun	2,880	(2,550)	4.3	(3.6)
Gowrings	Mtrs	Jun	137 L	(172)	1.0	(1.0)
Haggas (John)	Text	Jun	2,930	(2,880)	3.0	(3.0)
Hall Engineering	Eng	Jun	3,750	(1,500)	6.49	(3.3)
Harrington Kilbride	Med	Jun	621	(422)	1.7	(1.5)
Headlam	Misc	Jun	1,130	(313)	0.35	(0.75)
Hillsdown Holdings	FdMa	Jun	62,300	(74,600)	2.2	(2.2)
Home Counties	Med	Jun	331	(203)	2.0	(2.75)
Iceland Group	FdRe	Jul	30,100	(24,200)	1.2	(1.333)
IMI	Eng	Jun	35,500	(36,500)	4.2	(4.2)
Intl Business Comms	Med	Jun	1,370	(572)	-	(-)
Intrum Justitia	OtFn	Jun	7,470	(6,810)	1.1	(1.0)
JIB Group	InSr	Jun	11,700	(10,700)	2.5	(2.5)
Jupiter Tyndall	OtFn	Jun	3,610	(3,100)	4.0	(3.0)
Kynoch Group	H&H	Jun	126	(380)	-	(-)
Laing (John)	C&C	Jun	5,100	(5,600)	3.0	(3.0)
Laird	Mtrs	Jun	23,600	(20,400)	4.2	(4.2)
Latin Amer Inv Tst	InTr	Jun†§	189	(185)	-	(-)
Liberty	Strs	Jul	602	(648)	1.65	(1.55)
Lionheart	Misc	Jun	618	(1,100)	0.1	(0.2)
Manders	BdMa	Jun	4,920	(4,050)	2.9	(2.5)
Metsec	M&MF	Jun	505	(668 L)	-	(-)
Molynx	Elec	Jun	21	(45)	-	(1.3)
Newman Tonks	BdMa	Jun	8,110	(6,620)	2.53	(3.8)
NFC	Tran	Jul♥	118,300	(89,300)	1.6	(1.56)
North Sea Assets	O&G	Jun	1,190	(64)	-	(-)
Nardin & Peacock	FdRe	Jul	7,070	(5,550)	2.06	(1.96)
Ocean Group	Tran	Jun	20,800	(20,800)	4.71	(4.71)
P & O	Tran	Jun	291,600	(151,200)	24.0	(13.5)
Pearson	Med	Jun	46,300	(34,600)	5.375	(5.375)
Peek	Elec	Jun	2,070	(2,810)	1.05	(1.05)
Perkins Foods	FdMa	Jun	10,100	(10,900)	1.75	(1.7)
Perry Group	Mtrs	Jun	2,860	(553)	2.75	(2.75)
Pittencrieff	O&G	Jun	15,300	(2,210)	3.25	(3.0)
Plasmec	Eng	Jun	237 L	(-)	0.75	(1.5)
Portals Group	PP&P	Jun	13,500	(12,400)	5.25	(5.0)
Porvair	Chem	May	849	(748)	1.4	(1.2)
Prudential	InLf	Jun	249,000	(242,000)	4.5	(4.1)
Reece	InCn	Jun	11 L	(183 L)	-	(-)
Ropner	Cngl	Jun	1,630	(1,720)	3.5	(3.5)
RTZ	Mine	Jun	339,000	(295,000)	13.5	(5.0)
Rugby Group	BdMa	Jun	30,500	(30,200)	2.85	(2.85)
Scholl	H&H	Jun	11,700	(13,700)	2.6	(2.6)
Schroders	MrBk	Jun	67,000¢	(56,100)	4.0	(3.0)
Sema Group	Elec	Jun	10,600	(7,730)	1.2	(1.1)
Singer & Friedlander	MrBk	Jun	11,700	(3,300)	1.25	(1.0)
Spear (JW) & Sons	Misc	Jul	861 L	(315 L)	3.0	(2.5)
Stat-Plus	PP&P	Jun	1,830	(2,020)	4.0	(3.55)
Strong & Fisher	Misc	Jun	1,720	(2,170)	-	(-)
Sumit	InTr	Jun†	[illegible]	(97.0)	0.7	(-)
Suter	Otln	Jul	29,600	(9,400)	3.4	(3.2)
Swallowfield	H&H	Jun	522	(421)	2.2	(2.2)
T & N	Mtrs	Jun	39,400	(34,700)	10.85	(7.25)
Telemetrix	Elec	Jun	7,930	(673)	-	(-)
Thompson Clive Invs	InTr	Jun†	196.3	(175.0)	-	(-)
TLS Range	Mtrs	Jun	34	(77 L)	-	(-)
Transfer Technology/M	Misc	Jun	8,600	(3,500)	6.5	(6.25)
Tullow Oil	O&G	Jun	254	(10 L)	-	(-)
Unipart	N/A	Jun	11,300	(9,500)	-	(-)
Vardon	H&L	Jun	540	(282 L)	0.3	(0.25)
Williams	Otln	Jun	76,400	(76,200)	5.0	(5.0)
Wilson Bowden	C&C	Jun	16,800	(10,300)	2.65	(2.5)
Wilson (Connolly)	C&C	Jun	8,220	(8,770)	1.27	(1.27)
Wimpey (George)	C&C	Jun	1,100	(24,600)	2.0	(2.0)
Woodchester Invs	OtFn	Jun‡	16,400	(17,500)	2.08	(1.81)
Wyevale Gdn Centres	Strs	Jun	3,710	(3,090)	2.75	(2.48)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. ¢ Net profit for 1992. ‡ Figures quoted in Irish pounds & pence. § Figures quoted in US dollars & cents. ¼ figure for 15 months. §§ Restated figure. ♦ First quarter figures. ● Net profit. ♥ 9 month figures. ¶ figures based on historical cost.

RIGHTS ISSUES

Albrighton is to raise £3.4m via a 3 for 7 at 17p rights issue.
Cadbury Schweppes is to raise £324m via a 1 for 9 at 400p rights issue.
CRH is to raise IR£147m via a 1 for 5 at IR£2.60 rights issue.
Perry Group is to raise about £9.6m via a 1 for 3 at 160p rights issue.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Henderson Touche Remnant is to raise £30-100m via a placing and offer of shares at 100p.
Scottia Holdings is to raise about £30m via a flotation.

FINANCE AND THE FAMILY

Unit trusts

Fund of eastern promise

OPERATING a risk-averse fund management style in a volatile region like south-east Asia may sound contradictory. But Adaline Ko, manager of Save & Prosper's south-east Asia Growth unit trust, has been doing just that for 11 years with considerable success.

The fund was launched in 1978 (Ko joined in 1982) and is one of the largest in the Far East sector (excluding Japan), with £185m under management.

Its performance has been consistently above average: it was third best performing out of 15 funds in its sector over the seven years to September 1, according to Hardwick Stafford Wright; 12th out of 26 over five years, 20th out of 43 over three years, and 17th out of 54 over one year. However, its lower-risk strategy, has kept it from the very top of its sector, as it is competing with more volatile single country funds.

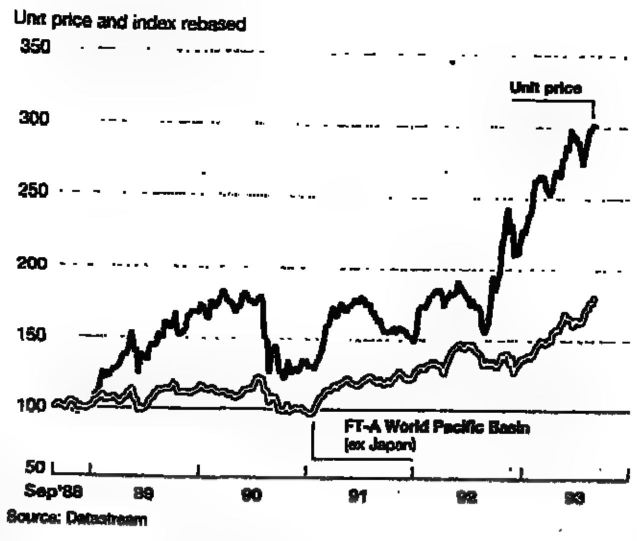
Management of the fund is carried out by a four-person team at Flemings in London, which bought Save & Prosper in 1988. The team visits the region about twice a year for a few weeks at a time, and makes a total of about 200 company visits.

Additional research comes from sister company Jardine Fleming, based in Hong Kong and with offices throughout the region, as well as other international securities houses and local brokers.

Investment strategy starts with asset allocation. Quarterly strategy meetings discuss economic and market fundamentals, and can lead to complete shifts in direction. The fund's high turnover – which Ko calculates at an average of 200 per cent a year – is largely attributable to periodic decisions to withdraw almost completely from one or two markets in favour of heavy investment in others.

"If you can get certain markets right, you are three-quarters of the way there," says Ko. The top-down style is also seen as more appropriate in a region where company accounting and disclosure standards are not always up to European or US levels. Most shares move with the market as a whole, rather than in response to company news.

Save & Prosper South East Asia Growth Trust



Source: Datastream

There have been many changes in the fund's style during the time that Ko has been involved, including the recent move to concentrate the fund – it now holds 88 stocks, compared to 116 two years ago.

Of the top 10 stocks, mostly regional blue-chips which account for 30 per cent of the fund's holdings, the top three are Hong Kong listed: Hutchison Whampoa, Cheung Kong Holdings, and HSBC Holdings. Each of them accounts for more than 4 per cent of the total. Other top 10 companies are: Renong (Malaysia), United Engineers (Malaysia), ACMA (Singapore), Advanced Information Services (Thailand), Krung Thai Bank, New World Development (Hong Kong), and Arab Malaysian Corporation. The largest holdings form a stable core for the fund – most have been in the portfolio at least two years, some considerably longer.

The present regional allocation is 29 per cent in Hong Kong, Malaysia 25 per cent, Singapore 12 per cent, Thailand 15 per cent, Korea 12 per cent, Philippines 2 per cent and Indonesia 3 per cent. Historically, the fund's current weightings are low for Hong Kong and high for Malaysia.

The graph shows the fund's performance against the FT-A index for the Pacific Basin excluding Japan, which covers similar markets but includes Australia and New Zealand, which do not form a big part of the fund's portfolio, and excludes Thailand, which does.

One concern for the fund, Ko says, is the risk of becoming trapped in illiquid markets, particularly the smaller ones such as Indonesia and the Phillipines. A manager has to balance the possibility of the market rising against the possibility of becoming stuck when sentiment turns bearish and volume plummets.

"Before you get in, you have to think if you can get out first. We would never put a majority of the fund into a market we knew it would be difficult to get out of, no matter how good it was," Ko says.

Ko is originally from Hong Kong, and says that a closeness to the culture can help in understanding how the markets are behaving. At other times though she has to distance herself from her roots.

Such an instance came in the Chinese crisis of 1989, when student democracy protests in Tiananmen Square were brutally suppressed. Regional markets, particularly Hong Kong, reacted strongly to the events. Ko describes managing the fund during this time as hair-raising. But the decisions she took proved successful.

Hong Kong's stock market plunged in the early stages of the protests, but then bounced back. At this point Ko sold a large chunk of her Hong Kong holdings, reducing them from around 50 per cent of the fund to 20-25 per cent. The market then started to drop again, and fell even more heavily on news of the massacre.

Markets in Singapore and Malaysia collapsed in sympathy, but Ko believed that there was no fundamental reason for this, so she shifted funds withdrawn from Hong Kong into both markets – in time to see them pick up again.

Such successes tend to be forgotten, but are a fund manager's job, Ko accepts. The mistakes loom larger in her mind. One decision she is currently regretting is moving back into Korea in a big way last year, in expectation of interest rate cuts and economic recovery. It now seems she made the move too early – the first wave of recovery came, but has so far failed to take off, and the market has been hit by a clampdown on the use of false names for financial transactions.

The fund has not lost money in Korea so far, but there is an opportunity cost when other markets in the region are performing well. Ko has scaled the holding back (from 20 to 12 per cent) and is now expecting a real recovery early in 1994.

■ Charges. The initial charge is 5.5 per cent, and the annual is 1.5 per cent. The current bid-offer spread is 5.99 per cent. The minimum investment is £1,000, or £35 a month. The fund does not qualify for full Pep investment, so a maximum of £1,500 can be invested by this route.

Bethan Hutton

Bonds to browse through

GILTS ARE not the only kind of sterling bonds. Below Michael Dyson, director of Barclays de Zoete Wedd Capital Markets describes some other fixed interest instruments which might be useful to the private investor (with details in the table). BZW is a market maker and cannot deal with private clients direct so those interested in buying bonds should approach a broker.

BZW BOND RECOMMENDATIONS

Issuer	Coupon	Maturity date	Price	GRY (sa)	Inc Yld	Interest Dates	NRY 25%	Net inc 25%
Coventry PIBS	12.125	Irred'ble	131.25	n/a	9.19	10/6 10/12	n/a	6.9
Birm'hm Corp	3.5	Irred'ble	43.25	n/a	8.09	1/1 1/7	n/a	6.07
Royal Bk Scot Perp Euro£	9.5	Call in 2018	108.375	8.49	8.77	12/6	6.34	6.57
Woolwich Euro£	7.0	09/09/1998	100.0	6.89	7.00	9/9	5.18	5.25
Severn River Index Lkd Deb	6.0	30/06/2012	119.0	4.67 Real	5.29 Initial	30/6 31/12	n/a	n/a
General Acc't Pref	7.875nt	Irred'ble	111.25	n/a	8.78	1/4 1/10	n/a	6.6
Sphere IT Zero Dvd prf	0.0	31/10/1995	92.0	7.33	n/a	n/a	5.74	n/a
Schroder Split	0.0	31/01/2002	108.5	7.57	n/a	n/a	6.96	n/a

THERE are many hundreds of sterling bonds to choose from and a growing number of stockbrokers and advisers are making excellent use of direct bond holdings. Nevertheless, UK investors are still a long way behind investors on the continent and in the US.

The income and final capital value of a bond will be known at the time of purchase and will not change. In addition, any capital gains that arise on the following instruments will not give rise to a CGT liability (except in the case of zero dividend preference shares, which are not bonds, but are effectively fixed rate securities).

The following illustrations highlight several diverse investor demands and the sterling bonds we would recommend as a possible solution.

The retired investor who wants a very high income but does not want to surrender his capital to an annuity.

A portfolio of perpetuals (fixed income instruments which will never be repaid) would be ideal for this investor.

Our recommendations would include Coventry Building Society PIBS, currently paying an income of 9.19 per cent and the Birmingham Corp's 3.5 per cent bonds, priced at 43.25 to yield 8.09 per cent.

The latter were originally issued in 1881 and are redeemable at 100 at any time on one year's notice.

An investor who wants to retire in 2002, and as a higher rate taxpayer, does not want to receive any further investment income before retirement.

Zero dividend preference shares could be appealing for this investor as they produce no taxable income and the capital gain is deferred until after retirement, at which point the investor will have a lower overall tax liability from other sources.

In this instance, we would recommend the Schroder Split Investment Trust Zeros, where the price will rise from the current level of 108.5 to 202.76 on repayment in 2002. The gain equates to a gross redemption yield of 7.57 per cent, equivalent to a net return of 6.96 per cent, assuming inflation at 5 per cent and CGT of 25 per cent. The nearest comparable gilt offers 6.95 per cent gross and 3.44 per cent net.

Also attractive for this investor would be the Henderson Eurotrust zeros at the slightly lower, but better covered, yield of 7.45 per cent. The Henderson zeros will rise from the current level of 36 to 70 in 2002.

Another zero which we find attractive (although it is not a solution for this particular problem) is the Sphere Investment Trust issue. The wind-up date of the trust is the end of October 1995. The repayment price of the zeros at that date is 107.5, giving a yield to redemption of 7.33 per cent gross on the current price of 92. (The net figure in the table is based on the same assumptions as for the Schroder zero.)

The beauty of a share such as the Sphere zero is that there are already sufficient assets to repay the final price in full. In other words, even if the investment trust fails to grow, the zero's repayment is safe.

An offshore investor seeking a long term high income.

The Royal Bank of Scotland 9.5 per cent Eurosterling bond trades at 108.375 and will provide a gross income of 8.75 per cent per annum until at least 2018 (when RBS has the right to repay the bond). This is equivalent to a gross redemption yield of 8.5 per cent.

The investor may wish to balance his investment with a purchase of another bond such as Woolwich's 7 per cent 1998 Eurosterling bond at 100 to give a 7 per cent income yield for five years (GRY of 6.89 per cent).

The investor who is concerned that inflation will rise again.

The second Severn Bridge, currently under construction, was funded by the issue of Severn River Crossing 6 per cent index-linked debenture.

Trading at 119, this issue offers a very high real return of 4.66 per cent over and above the rate of inflation, compared to 3.24 per cent from the equivalent index-linked gilt.

Casebook

MANY READERS have had an unpleasant experience at the hands of their bank, building society or insurer and it is rare to receive letters which recount a happy story.

However, Freddie Earlle, who lives in London, wrote to the *Weekend FT* to record his father-in-law's satisfaction with the service he has received at his building society, Cheltenham & Gloucester.

"My father-in-law is an active gentleman of advancing years. But unfortunately, he has moments of confusion," said Earlle.

During one of these lapses, he wrote to C&G to find out how much money he had in his account. His letter was unclear and C&G thought he wanted to close it. They therefore sent him a cheque and closed his account. He thought the cheque was his statement and therefore filed it away and did nothing.

"About three months later, he realised his mistake and deposited the cheque with the building society's local branch, which opened a new account for him," said Earlle.

The mistake meant a substantial loss of interest.

Earlle said: "He asked me to write and explain what had happened. In less than a week, the society replied. They accepted that Dad had made a genuine error, backdated the 'new' account, and so ensured no loss of interest. We cannot thank them enough."

If other societies take note of this example, Earlle believes, their customers will feel that their money is in safe hands.

Scheherazade Daneshkhu

FINANCE AND THE FAMILY

How does your pension rate?

Debbie Harrison reports on a new guide that lets members of more than 100 larger company schemes in Britain compare their benefits

AN INNOVATIVE guide to more than 100 of the larger UK company pension schemes, covering half of all workers with occupational pensions, reveals just how generous - or miserly - different employers are and explains how you can assess your own scheme's competitiveness.

The report, *Pension Scheme Profiles 1993**, provides detailed benefit profiles of each scheme together with a rating guide that allows readers to get a quick fix on how theirs compares with others. Of particular interest is the "target scheme" devised to set a benchmark against which schemes can be measured.

More than 11m UK employees are members of final salary occupational pension schemes where the pension is based on three main factors: the definition of "pensionable pay," the period of membership, and the pay level at retirement.

Employees interested in carrying out a pensions health check should refer to their scheme booklet and compare the definition of their own benefits with the report's target scheme benefits given below:

■ Retirement pension: Payable from age 60 based on service and final earnings.
■ Accrual rate: One-60th of final pay per year of service.
■ Pensionable earnings: All earnings (apart from overtime etc paid only during earlier years of employment).
■ Final pay calculation: The higher of either total earnings in the year before retirement or average annual earnings over any three-year period ending within 10 years of retirement, up-rated in line with the retail price index.
■ Pensionable service: Total service including maternity leave and certain temporary absences.
■ Lump sum on retirement: Inland Revenue maximum ie the maximum amount of pension that can be converted to tax-free cash - normally 1.5 times final remuneration after 40 years' service, although this might be subject to revenue restrictions.
■ Pension increases: In line with the retail price index.
■ Ill-health pension: Equivalent to the amount the employee would have received had he remained in service until normal retirement age, at his present rate of pay.
■ Death in service benefits: Should include a dependent adult's pension of four-ninths the member's total earnings at death, plus pensions for dependent children. Also, a lump sum of four times earnings.
■ Death in retirement benefits: Should include a pension worth two-thirds of the member's pension to be paid to a nominated dependent adult, plus a pension for any dependent children under age 18.
■ Scheme leaver benefits: The whole of the preserved pension should be increased in line with RPI up to retirement.

By law, all this information should be provided. If any is missing, contact the pensions manager or scheme trustees.

In its analysis of each company scheme, the report awards an overall "assessment ratio" based on the cost to the employer of the main benefits compared with the cost of the target scheme. Schemes awarded a rating of 100 per cent match the benefits provided by the target scheme. But no account was taken of discretionary benefits - those, such as extra pension increases, which are not an actual right but can become a regular feature of the scheme.

The definition of pensionable pay is particularly important since your pension will be calculated as a proportion of these earnings. Some schemes provide a pension linked to basic pay, while others take into account other elements – such as, for example, regular overtime. If overtime forms a significant proportion of your gross earnings and this is not taken into account in your pensionable pay, you could consider top-up provision through additional voluntary contributions (AVCs).

The other important point about pensionable pay is to find out just when your pensionable salary is fixed for the purposes of the calculation. Many schemes base the pension calculation on the member's gross or basic salary during the two or three years before retirement. If this is the case, you should think twice before accepting a less onerous but lower paid position in the run-up to retirement, since your pension would be based on this reduced salary.

As the tables show, the generosity of employers surveyed varied dramatically. Top place went to the Abbey National scheme with 104 per cent - the only scheme to provide better benefits than the target. Lowest was the Rank Organisation plan with just 23 per cent.

So, what can you do if you discover your pension scheme is inadequate? Some employers and trustees are open to suggestions on benefit improvements, particularly if there is a pension fund surplus. But it is wise to have a few DIY ideas up your sleeve.

The first is AVCs. Employees can pay up to 15 per cent of earnings into a company pension scheme but most pay in about 5 per cent. This leaves scope to pay 10 per cent (if you can afford it) into the company AVC scheme or into a free-standing AVC (FSAVC). These are available from life offices but also from a few building societies and unit trusts.

Like all Inland Revenue-approved pension arrangements, AVCs and FSAVCs are very tax-efficient, offering tax relief on contributions and tax-free roll-up of funds. Company AVC schemes tend to be better value because the employer bears the provider's costs, but FSAVCs offer a wider investment choice. In both cases, the fund built up by your contributions must normally be used to buy an annuity.

The company pensions manager will provide details on the AVC scheme, while an independent adviser will help you choose the best FSAVC. Remember that, in most cases, your investment will not be available until retirement. If you need more flexibility, then you could look at other tax-efficient investments such as personal equity plans (Peps).

Apart from topping-up your pension through AVCs it might be necessary to boost your life cover, either through some form of family income benefits plan or a lump sum life assurance policy. Both types of insurance are available from life offices at relatively modest monthly premiums. Once again, an independent financial adviser can select the best rates on the market.

**Pension Scheme Profiles is available from Union Pension Services Ltd. 50 Trinity Gardens, London SW9 8DR, price £195 (£95 for trade unions).*

OVERALL ASSESSMENT RATIOS

■ TOP TEN		■ BOTTOM TEN	
Abbey National Scheme*	104%	Rank Organisation Plan	23%
ICI Fund	86%	DRG Pension Fund Lower Scale	26%
TSB Group Scheme*	82%	TI Group General Section	26%
Legal & General Fund	82%	Massey Ferguson Works*	28%
Burmah Castrol Plan*	80%	Massey Ferguson Staff*	28%
BSC Scheme*	78%	Daily Mail Scheme	31%
Rothmans Fund*	77%	Harmsworth Scheme	31%
Shell Pension Fund*	75%	Philips Pension Fund*	31%
Woolwich BS Fund*	75%	NEI Scheme Scale 1*	31%
Siemens Scheme	74%	DRG Pension Fund Higher Scale	32%

*Benefits and contributions based on basic as opposed to gross earnings.

Compensation delay

INVESTORS in home income schemes hoping to get compensation after a High Court ruling in July are having to wait for another court hearing. The Investors Compensation Scheme, which limits the maximum payout per claim to £48,000, and law firm Barnett Sampson have been unable to agree on interpreting one point of the judgment and have decided to seek clarification.

Home income plans were sold late in the 1980s, mainly to elderly people, as a way to release income from their homes. The schemes involved taking out a mortgage and investing in equity-linked bonds. In many cases, the risk of the investment bonds was not explained and investors who lost money have grounds for compensation.

In July, Barnett Sampson won extended compensation rights for victims. At issue was whether those who had taken out a home income plan before the ICS started on August 28 1988 had any compensation rights.

The ICS argued that claims could be made only by investors who took out a plan on or after that date. But the court decided that investors can get compensation for losses occurring as a result of poor advice after August 28 1988, even if they had taken out their plans before that date.

It is on this point that the two sides now have differences of interpretation. The ICS wants clarification about the date from which compensation should be calculated and to determine exactly what event would trigger a liability.

Barnett Sampson says there does not have to be any positive action for an investor to be eligible for compensation, and that a failure to act by an independent adviser also can trigger a liability.

Tom Murphy, a Liverpool pensioner, was an investor with Hamilton House Associates, a Birkenhead-based investment business which was ordered by Fimbra, the self-regulating body for IFAs, to stop trading in February 1990. He took out a fixed rate investment bond on June 20 1988; this was meant to have been secured against property but appears not to have been.

His £18,000 compensation claim depends on the judgment. "I am bewildered," he says. "When I read about the judgment in July, I thought my claim would be all right, but it's now been held up again. I have been through 3½ years of hell over this."

Investors who benefited from another point clarified by the High Court judgment are not having to wait for compensation. The court decided that the ICS was wrong to propose halving the amount of compensation to a surviving spouse.

Scheherazade Daneshkhu

Income fund

THE DESIRE of many investors for a high income continues to prompt financial services groups to launch products to satisfy that need.

Morgan Grenfell has produced a fund with a similar structure to Hypo Foreign & Colonial's Higher Income Plan, which attracted £270m earlier this year. It will pay 10 per cent a year, which can be tax-free in a Personal Equity Plan.

The High Income Trust will invest in a combination of UK shares, cash and loan securities - these are the heart of the product. They are, in essence, a "cover" for the trust's real business – writing options against the fund's shares in order to earn extra income.

An option gives the buyer the right to buy, or sell, a given commodity at a set price over a set period. In return for this right, the option buyer pays a premium to the seller, or writer. These premiums will represent the extra income of Morgan Grenfell's trust.

The loan securities are designed to get round unit trust regulations, which do not allow managers to distribute option profits to unitholders. The "interest" income on the loans will effectively be the premium income repackaged.

Writing options means that the trust is giving up future capital gains for immediate income. But if it can deliver 10 per cent a year, many investors will probably not mind.

The normal rule of thumb is that a high return, such as 10 per cent, can only be achieved at a high risk. Although Morgan Grenfell is not offering any guarantees, it says the fund will provide protection against a sharp fall in the market, and the product will not eat up capital to get income.

If Hypo F&C and Morgan Grenfell can earn 10 per cent for investors (after charges) without taking much of a risk, it suggests there is a pricing anomaly in the market, which might eventually disappear.

But private investors cannot hope to understand the intricacies of the options market; they simply have to trust that major groups such as Morgan Grenfell and Hypo F&C can deliver what they have promised. Certainly, nothing has gone wrong with the Hypo F&C fund so far.

For those prepared to take a lower level of income, Morgan Grenfell is offering a balanced investment, with 50 per cent in the Higher Income fund and 50 per cent in its existing UK Equity Income fund. This option will pay 7 per cent and give the investor the chance of capital growth; the UK Equity Income fund achieved growth of 90.8 per cent over the five years to September 1.

The minimum investment in Morgan Grenfell's 10 per cent plan is £1,000 (£2,500 for Peps). The charges will be 5 per cent initial and 1.5 per cent annual. For those who want the 7 per cent income (also Pepable), the minimum investment is £2,000; the charges are 5.25 per cent initial and 1.5 per cent annual.

In both cases, income will be paid quarterly. Meanwhile, Hypo F&C is offering an offshore option of its Higher Income plan. This will pay income gross and non-taxpayers can thus earn 10 per cent on sums far larger than the annual £6,000 Pep allowance. The minimum investment is £5,000; initial charge is 5 per cent and annual is 1.5 per cent.

Philip Coggan

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Birmingham Midshires BS	First Class	0902 302090	Postal	£500	6.75%	Yly
				£10,000	7.00%	Yly
North of England BS	Edinburgh	091 510 0049	Postal	£25,000	7.10%	Yly
Bristol & West BS	Balmoral	0800 100117	Postal	£50,000	7.25%	Yly
NOTICE A/cs and BONDS						
City & Metropolitan BS	Super 60	081 464 0814	60 day	£10,000	7.35%	Yly
Scarborough BS	Scarb'gh Ninety 3	0723 368156	90 Day	£25,000	7.65%	Yly
Universal BS	High Income Bond	091 232 0973	1 Year	£50,000	8.35%A	Yly
Bristol & West BS	Limited EditionBd	0800 486487	31.1.95	£50,000	8.40%	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 398115	Postal	£5,000	6.45%	Mly
Bristol & West BS	Balmoral Monthly	0800 100117	30 day	£25,000	7.55%	Mly
Bristol & West BS	Limited EditionBd	0800 486487	31.1.95	£25,000	7.81%	Mly
Chelsea BS	Base Rate Plus	0800 272505	2.1.95	£5,000	7.73%B	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£25	8.05%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	8.00%	Yly
National Counties BS		0372 739702	5 Year	£3,000	7.90%	Yly
Dudley BS		0384 231414	5 Year	£10	7.87%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.85%	Yly
				£25,000	6.85%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	6.93%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Confederation Bank Jersey	Flexible Investm	0534 608060	60 Day	£10,000	6.75%	½Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£50,000	7.80%	Yly
Yorkshire Guernsey Ltd	Key Term	0481 710150	31.8.94	£5,000	6.70%E	Yly
GUARANTEED INCOME BONDS (Net)						
Financial Assurance FN		081 367 6000	1 Year	£50,000	4.75%	Yly
Financial Assurance FN		081 367 6000	2 Year	£50,000	5.35%	Yly
Financial Assurance FN		081 367 6000	3 Year	£20,000	5.70%	Yly
Financial Assurance FN		081 367 6000	4 Year	£5,000	6.15%	Yly
Financial Assurance FN		081 367 6000	5 Year	£5,000	6.30%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	6.25%G	Yly
	Income Bonds		3 Month	£2,000	7.00%H	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
	First Option Bond		12 Month	£1,000	6.34%I	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% +Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. A = Rate guaranteed until 1.11.93. B = Rate guaranteed to be at least 2% above base rate (Min 8%) until 2.1.94 and then 1% above base until maturity. E = Rate guaranteed until 1.12.93. G = 6.5 per cent on balances of £25,000 and over. H = 7.25 per cent for balances of £25,000 and over. I = 6.74% on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.
Readers can obtain a complimentary copy by phoning 0692 500677.

FINANCE AND THE FAMILY

Diary of a Private Investor / **Kevin Goldstein-Jackson**

Insurers who need insurance

I BELIEVE in insurance. My family has medical insurance, car insurance, disability, injury and accident insurance, house and contents insurance, retirement annuity insurance, a whole range of life assurance policies, and insurance linked to various savings plans. We even have legal expenses insurance so we can sue anyone who fails to meet their obligations to us – including insurance companies. But recent events have made me wonder how many of those with which I have done business will still be around in their present form 10 years from now.

Last month, I commented on the problems at Lancashire & Yorkshire assurance society. I would not be surprised if a few more companies announce various "difficulties". Some appear to be managed incompetently and one wonders what horrors await to be discovered. Will their property holdings suffer the same fate as those of the Church of England commissioners? If there is a sudden market downturn, how many will be able to bail out quickly enough to prevent huge write-downs in the value of their portfolios? How many make losses on foreign currency speculations?

Hopefully, my policies are with companies that are safe and secure. But even solid, respectable names have given me cause for some disappointment with the slashing in value of bonus rates on with-profits policies. In January, for instance, Equitable Life estimated that the maturity date payment under one of my policies would, with final bonus included, be £14,600. By April, that had fallen to £13,577. Although still a good performance, it was obviously not as good as I had hoped.

Many companies have expanded their activities into offering other types of investment product, such as unit trusts. Again, their track record has been mixed. My two daughters were given £750 and £500 worth of units in Equitable Life's special situations trust in August 1986. In August this year, with income re-invested, the units were valued at around £1,005 and £670 respectively.

While this performance is not as bad as many other unit trusts, it is still disappointing, even taking into account that a trust investing in "special situations" is likely to be much more speculative than one investing in a more general spread of investments. At least it demonstrates the need for careful consideration in choosing investments rather than assuming that, if a company turns in a good performance in one area, it will necessarily do so in others.

The insurance market is becoming increasingly competitive. In July, the Treasury ruled that insurance companies would have to tell prospective policy-holders how much commission the sales agent was getting. This should help those mutual assurance companies which do not pay commission to agents.

Most do, however. A 25-year mortgage endowment policy with a premium of £50 a month could produce up-front commission of £500 to the salesman. Payments this size (and more) could well make many people think twice before choosing an insurance product as a way to save – especially when prospective customers will also have to be told more explicitly about the size of penalties which the company will impose for early surrender.

I expect some companies will change some of their commission structures to attract publicity for certain products. But there is little point in choosing a company which pays little or no commission if its operating costs eat away similar sums and/or if its overall investment performance is poor.

Also to be considered is the general level of staff competence. If a policy-holder has to wait weeks for a company to sort out its mistakes with his policies or payments, then the cost of the time wasted could easily amount to more than the difference in monetary performance between the company concerned and one of its rivals.

The Maxwell affair brought increased attention to the role and duties of pension fund trustees. More independently-minded people and employee representatives are likely to be appointed as company pension fund trustees, and they will be taking an increasingly close interest in the performance of their fund managers. This could lead to a greater movement of funds between insurance companies.

It used to be that whichever company was used to set up a pension scheme remained as that fund's manager. But now, if a fund manager fails to perform, the trustees are more likely to consider the possibilities of moving the scheme's management to another company.

What effect would this have on some of the smaller companies? If managed funds worth hundreds of millions of pounds were taken away suddenly, what would this do to their cost structures? How many would be prepared to cut staff and costs? And what effect would this have on the bonus rates of mutually owned companies?

I expect to see an increase in the number of small mutuals merging with one another or "de-mutualising" and perhaps being taken over by other companies. In 1989 London Life, with which I have several policies, merged with the Australian Mutual Provident. Another mutual where I have a policy, Scottish Mutual, was taken over by Abbey National in 1992. There has also been a variety of mergers and take-overs in other companies and I expect there will be many more.

Unfortunately, these shake-ups do not seem to have made much difference to the attitudes of several mutuals. Boards still seem to be "self-selected" with policy-holders, who "own" the companies, getting little opportunity to influence major decisions.

Indeed, many of the mutuals do not even bother to send their policy-holder owners copies of their annual reports and details of the annual general meeting. Mutuals should be obliged legally to provide as much information to their owners as public companies must do to their shareholders.

While I welcome wholeheartedly the proposals for greater disclosures of commission rates and surrender values, the insurance industry could still do with a bit more shaking up.

Risks worry over BES returns

FIXED-exit business expansion schemes are promising investors annual returns after five years of about 14 per cent to a higher-rate taxpayer, an attractive figure given that base rates are 6 per cent.

Some "too good to be true" rates are just that, but here the returns are made possible by exploiting the tax relief of up to 40 per cent. Readers have expressed concern, however, that there could be underlying risks not mentioned in the statutory warning section carried in the prospectuses.

Neil Warriner, of law firm Herbert Smith, says the prospectuses are worded carefully to avoid misrepresentation, since the BES company cannot give a cast-iron guarantee. The schemes are based on a contract between the institution (most likely to be a university) and the BES company and are enforceable under contract law. Warriner says the main risk is that the university might not have enough money to buy back the property after five years.

"If this were to happen, the investor knows that the BES company has the property and could sell it to satisfy the obligation of the university. So, the risk here is a valuation one; the price would have to be high enough to provide the promised rate of return and the BES company could face a corporation tax liability."

To avoid defaulting on their obligations, many university schemes are cash-backed. Investors should check to see if this backing will cover everything that it should, and note the financial strength of the institution where the money will be placed.

When a prospectus is launched, most sponsors are unable to say how much they will put aside, or with which institution. "This is because they do not know how much will be raised and the market might change between the launch of the scheme and its close," says Warriner.

Christopher Parkinson, a partner at law firm Gouldens, says investors should look for a bank guarantee, the track record of the directors and sponsors, and the directors' benefits. "If you are worried about any scheme, it is a good idea to spread risk by investing £40,000 across a number of schemes," he adds.

Investors in university schemes should remember they could lose tax relief if an immediate family member becomes a tenant of the BES company. The university should be told so the student can be housed elsewhere.

Meanwhile, sponsor Johnson Fry this week launched its ninth cash-backed BES for the Loughborough University of Technology with a fixed-exit price after five years of 119p (equating to an annual return of 13.69 per cent to a higher-rate taxpayer if the investor takes the 1p discount offered until September 24).

Johnson Fry has also launched a scheme linked to the FT-SE 100 index to buy property from the Liverpool Institute of Higher Education. The return after five years is 80p plus 1.65p for every 1 per cent rise in the index. There are lock-ins after a 37 per cent rise (equating to an exit price of 121p) and after a 100 per cent rise.

Joint sponsors Smith & Williamson and Matrix Securities have released Cavendish Geared II to buy residential property in London. The sponsors can borrow 60 per cent of property acquisition costs if most of the funds are raised, providing additional gearing for investors. There is a 2p discount for investments made before September 30.

The Footsie-linked schemes are lagging behind the arranged-exit BES in popularity. BESt Investment says only £28m of the 1993/94 BES funding has gone into these so far, compared to £293m in the arranged-exit schemes.

Save & Prosper, which launched its BESSA Oxbridge scheme two weeks ago and has raised £23m of its £38.75m target, says 70-75 per cent of applicants have chosen the fixed-exit option of 121p. It feels the exit price (equating to an annual return of 13.9 per cent to a higher-rate taxpayer) and the strength of the stock market may have swung investors in favour of the arranged-exit companies.

Scheherazade Daneshkhu

Group's Japan debut

A NEW Japanese smaller companies investment trust is the first offering from the recently merged Henderson Touche Remnant fund management group, *writes Philip Coggan*. It aims to take advantage of what managers expect to be a Japanese economic recovery in 1994-95 and of a re-rating of Japanese small company shares.

The manager of the new trust, William Garnett, already runs an offshore, open-ended fund – Henderson Horizon Japanese smaller companies – which was second in its sector over the five years to September 1 (source: Hardwick Stafford Wright).

The trust is hoping to raise between £30m and £100m. The offer will consist of ordinary shares at 100p, with warrants attached on a one-for-five basis. The minimum investment will be £2,000. Applications for shares must be received by October 14 and dealings open on October 22.

The existence of the warrants, which will trade separately, is a device designed to deal with the discount problem. Shares in investment trusts often trade at a discount to net assets. That makes it hard to launch an investment trust since, allowing for costs, investors are being asked to buy new issue shares at a premium. But the warrants will have a value which should compensate investors for any discount which occurs.

The annual management fee will be 1 per cent, and 75 per cent of the management and interest costs will be charged to the capital account. Initial expenses will be capped at 4 per cent.

Directors' transactions

The sales by nine LWT directors made headline news when they were announced.

The sale was of more than 1m shares and raised £5.3m following the conversion of management shares into ordinary.

The directors still retain considerable stakes in the company and have undertaken not to sell any further shares without exceptional cause during the course of the coming year.

Berkeley Group's managing director, Anthony Pidgeley, sold 500,000 shares at 431.5p. The group is involved in private residential housebuilding and commercial property.

The company has seen its share price outperform the index by some 72 per cent over the past year.

Following the sale Pidgeley still holds almost 4.5m shares.

Colin Rogers, The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Admiral	Elns	50,000	235	1*
Berkeley Group	C&C	500,000	2,158	1
Deb Tews &Chinnocks	Prop	13,000	12	1
Holliday Chem Hldgs	Chem	17,850	39	1
Land Securities	Prop	20,000	135	1
LWT Holdings	Med	1,160,935	5,317	9
Marks & Spencer	Stor	27,000	104	2
Pilkington	BdMa	126,369	203	1*
Portmeirion Potts	Misc	63,300	253	1
Relyon Group	Misc	80,000	190	4*
Smith & Nephew	Hlth	40,896	63	1*
PURCHASES				
Ascot Holding	Prop	700,000	36	2
Brent Chemicals	Chem	12,503	15	1
Greenalls Group	Brew	13,300	49	1
MacDonald Martin A	Brew	5,000	19	1
Osborne & Little	Misc	10,000	15	1
Shoprite Group	FdRe	10,000	16	1
Smith New Court	OthF	5,000	17	1
WPP (ADRs)	Med	4,800	514	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 31 August - 3 September1993.
Source: Directus Ltd, The Inside Track, Edinburgh

FINANCE AND THE FAMILY

The Speculator

Investment that deserves the risk

*In the first of a new series on high risk investments, **David Harris** of accountants Chantrey Vellacott, examines the use of share warrants*

WARRANTS are an excellent medium for both investment and speculation, but there seems to be a widespread lack of understanding of how they work.

They present the chance of earning capital gains (warrants pay no income), making them an attractive proposition for speculative and longer-term investment. As a general rule, the investment performance of warrants will exaggerate individual share price changes. Therefore, if the market is in a "bull" phase and moving upwards, holders of warrants will likely do better than ordinary shareholders. In a "bear" market, the reverse is true.

Technically, warrants are transferable quoted option certificates issued by companies. They entitle the warrant holder to buy a specific number of shares within that company, at a pre-determined price, at a time, or during a specific time in the future. *They are traded on the Stock* Exchange in the same way as *the underlying shares.*

There are some 200 warrants listed on the Stock Exchange, issued by a variety of companies from many market sectors. However, the market is dominated by the investment trust sector which accounts for around two-thirds of the total amount of warrants in issue.

The conversion terms governing the date, price and number of shares for subscription are set when the warrant is issued and companies are obliged to adjust these terms for any subsequent rights or capitalisation issues. The precise date for the conversion of warrants will vary considerably and it is therefore essential that investors are aware of the *precise conversion details.*

The life of a particular warrant is specified at the time of issue. In general, they will have a lifespan of several years and may, in exceptional cases, be undated. Most of the current crop last well into the late 1990s and beyond.

■ *Advantages*

The first and most obvious attraction of a warrant is that an investor gains rights over a large number of shares for a *relatively small outlay.* For instance, if XYZ Plc shares are priced at £1 then for an outlay of £1,000, the investor would hold 1,000 shares. However, if, instead, that individual bought warrants in XYZ Plc (where each warrant conferred the right to buy one share) at 20p, then his initial investment of £1,000 would give him control over 5,000 shares and, therefore, offer a greater potential capital gain.

Warrants also offer gearing. In essence, this is the opportunity for a larger percentage capital gain (or loss). Using *the* example of XYZ Plc, if the share price rose by 10p from £1 to £1.10, then a gain of 10 per cent will be produced. *During* the same period, individuals could expect the price of warrants to rise similarly from 20p to 30p – a rise of 50 per cent.

The gearing factor can be calculated by dividing *share* price by warrant price. Generally, the higher the gearing factor, the greater the opportunity for large capital gains.

■ *Disadvantages*

The benefits of the gearing effect also work in reverse, thus exacerbating *any fall* in the underlying share price.

Furthermore, *if the underlying* share price stays or falls *below the exercise price* during the subscription period, then the warrant is effectively worthless. Warrants do not *have* any redemption value if they are not exercised.

Warrants do not rank for dividends and do not give the warrant holder voting rights or the right to attend ordinary shareholder's meetings. They simply provide the opportunity and right to buy shares on the agreed terms.

Before deciding whether to invest in this area, it is important to have some idea of how to assess the attractiveness of warrants and have a knowledge of how to deal in this specialised market.

Next week, I will set out ways of evaluating the attractiveness of any particular warrant and point you in the direction of specialised advice on what is basically an under-researched market sector.

Paying for a wife's help

WHAT IS the amount (weekly or annually) which I could have paid my wife for her help with my business in tax year 1992/93 which would still be below the amount at which NIC (employer's stamp) became payable?

■ The maximum amount you can pay your wife in any one week *in the present tax year* (without the payment attracting class 1 NIC) is £55.99. The corresponding figure for 1992-93 was £53.99.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

Back from abroad . . .

I AM A British civil servant who returned recently from a two-year secondment overseas where I paid no UK tax or national insurance. Should I now consider paying voluntary NI contributions for the period of my absence, and what is this likely to cost?

I had been paying class 1 national insurance contributions for about eight years before my work overseas, and shall soon resume paying class 1 contributions for the foreseeable future. I am 32 years old.

■ As you are now back working in the UK and covered by the state social security system, your prime concern is to ascertain how a two-year gap in the national insurance contribution record could potentially reduce your ultimate state flat-rate pension.

If you have paid contributions from the first time you were employed in the UK, and have not had any other gaps *overseas, it is possible that a* two-year gap in your contribution record either will have no effect or one that is so minimal *that you can ignore it.*

Write (quoting your national insurance number) to the Department of Social Security, Overseas Branch, Longbenton, Newcastle-upon-Tyne, England NE98 1YX. *It will be able to* confirm the number of years credited to your contribution record and the number of prospective years left.

If you ask, it will provide you *with a table showing the number of years' credit* that you *will require to obtain full benefits* and the scaling down effect *of any shortfall.*

Tax on pensions

I RECEIVE two pensions, one from the state and the other from a company. The former is paid into my bank account every 28 days and my company pension every calendar month. Thus, there are 12 payments a year from my company pension and 13 from the state.

When the 13th payment of the state pension was made this year, it was credited to my account on April 8 1993 which, in my opinion, is the tax year 1993/94. The tax office concerned will not agree and is taxing me as if I received it weekly and in the tax year 1992/93. But the 13th monthly payment was not available to me until after the start of the new tax year on April 6 1993.

■ *The inspector is right.* Section 41(2) of the Finance Act 1989 says: "As regards any particular year of assessment, *income tax shall be charged on* the amount of the pension or *other benefit accruing in* respect of the year, and this *shall apply irrespective of* when any amount is actually *paid in respect of the pension* or other benefit."

This rule applies to (a) a pension, stipend or annuity *chargeable under paragraph 2,* 3 or 4 of Schedule E; (b) a pension or annual payment chargeable under Schedule E *by virtue of section 133 of the* Income and Corporation Taxes Act 1988 *(voluntary pensions)*; (c) income support chargeable *under Schedule E by virtue of* section 151 of that act; (d) a *pension chargeable under* Schedule E by virtue of section 597 of that act (retirement benefit schemes); and (e), a benefit chargeable under *Schedule E* by virtue of section 617(1) of that act *(social security benefits).*

Income tax *is* levied according to arbitrary rules laid down by parliament and it is rarely possible to deduce one's tax liability by the application of logic or by extrapolation.

Children's shares

I have three children, aged 16, 12 and 10. Last year I gave them some money which they asked me to invest on their behalf in one company's shares. The shares are registered in my name with a designation showing that I am holding them for my three children equally.

The shares produce less than £300 per year in income. The dividends are made payable to me, with the children's designation shown on the cheque. I pay this into my bank account and transfer to each of my children one third of the net amount.

1) Am I right in supposing that each child can claim the tax credit for his/her third of the total gross annual income?

2) If so, would this hold true if the company declared an increase in its dividend to the point where the gross amount was above £300 per year, or would all the income then be treated as mine?

3) If my children were to ask me to sell the shares and a profit was made would they, or I, be liable for CGT?

4) If, after selling the shares for a profit, my children were to ask me to reinvest the proceeds in a higher yielding share which produced an income exceeding £300, would the entire income be deemed to have come from me, or only that proportion of it which correspond to my original gift?

■ First, we should point out that you and your wife cannot escape your legal duties and responsibilities for proper investment of your children's money be merely doing what they each ask you to do. You may wish to consult a solicitor on your legal obligations.

1) Yes, in principle (subject to evidence of the terms of the gift last year), provided that by "Less than £300" you mean "Less than £300 inclusive of tax credit".

2) All the income would then be *treated as yours,* under section 663 of the Income and Corporation Taxes Act 1988.

3) The chargeable gains would be *assessable upon each child,* in principle.

4) *All the income would be* treated as yours, as under question 2.

Bandsman on the run

Nick Garnett finds a company that aims to scale the heights

DAVID Haines opts for a subdued pitch when he blows his own trumpet. He could be forgiven for warbling a lot louder.

An energetic Welshman with a penchant for permed hair, he studied at the Royal College of Music and, capable on a wide range of brass and wind instruments, was bandmaster at Repton public school for nine years. Then, in 1967, an initial investment of £750 bought him a share of a music shop in Burton-on-Trent, Staffordshire.

The business, Normans, has six shops these days and has given him a converted farmhouse in 10 acres, a helicopter, and a new Jaguar whenever he wants one. Now owned outright by him, it is one of Britain's largest retailers of musical instruments with a yearly turnover of £5m.

Haines' entrepreneurial instinct was shown more recently when he and his wife, Pam, transformed a potentially serious threat to the company's future into what is now virtually a new enterprise. In only four years, this latest venture has grown to generate annual turnover of £1.75m and will provide all the company's future growth.

Haines explains: "My main worry in the late 1980s was changes in government funding, which meant that schools were having to take control of their own budgets.

"If local authority music instruction teams – what we call peripatetic teachers – were disbanded, that would hurt demand for our products. Those teachers effectively controlled 90 per cent of the educational instrument market."

The point, says Haines, is that most of the company's sales are to school-children and the parents who encourage them to start blowing wind instruments or twanging guitar strings. If school music teaching were curtailed because of shrinking budgets, instrument sales could plunge.

Haines tackled this with some novel ideas which provide a few lessons in the art of franchising.

■ First, the company started a leasing arrangement by which parents could hire, and then buy, instruments through monthly £13 subscriptions over a three-year contract.

■ Second, Normans started winning contracts to supply part-time music teachers to schools, eventually farming out these teachers into a full-time franchise operation.

Under the leasing scheme, there are 30 in-school lessons in the first year; in the second and third year, instruction costs £28.50 a term. The hirer gets to own the instrument after the third year.

This compares with a typical purchase cost of around £200 for a trumpet or clarinet from one of Normans' shops – around double what the company pays to buy it from its main US supplier.

Some 190 schools (all primary and junior) and 3,100 children now have instrument instruction from teachers employed under the franchise system. This makes money for the company and boosts instrument sales. "The aim is to have 10,000 kids learning instruments with us by 1995, so the £1.75m turnover will be up at £4m," says Haines.

To attract parents to its leasing scheme, the company first canvasses head teachers. But the scheme itself is sold by the company's six salesmen, who visit schools and talk to parents in the evenings. Haines says: "Out of 3,000 people joining up, only four have defaulted on payments."

The scheme hinges on teaching, though, and it is here that Haines has scored most effectively. At first, he employed half a dozen teachers directly, but there were 40 by the start of this year. "This could not be controlled by us," says Haines, "so we decided to use a franchise system where the franchisee organises the teaching in schools under our overall supervision."

Colin Beere

David Haines: a £750 investment in 1967 has developed into a business with an annual turnover of £5m

The company now has six franchisees and expects to have 20 by the end of next year. Each plays an instrument and acts as a co-ordinator. The target is for each eventually to control another six teachers, with 900 children under tuition.

Each pays Normans £12,000 and, for this, the company provides catalogues, eight instruments for demonstration, help on teacher time-tabling, and cash-flow forecasts. The bait is a target net income for the franchisee of £25,000 a year after three years.

A few headaches have interrupted the new venture. Some county councils seem keen to block Normans' business in senior schools (one court action brought by Haines is now pending) while leasing and teaching arrangements are still confined largely to the Midlands and north.

But Haines is confident. "There are 37,500 primary schools in the UK and at least 500,000 children under 11 playing musical instruments," he says. "So, there is a lot of potential out there for us."

While the company's goal is to make money, Haines easily persuades visitors that he has an altruistic interest in seeing more children play instruments. His showroom in Burton-on-Trent houses a music school and he still teaches occasionally at his home.

■ *Normans, Unit 1, Moor Street, Burton-on-Trent, Staffs. Tel. 0283 35 333.*

How to make your updates automatic

I HAVE been looking at ways to update share prices automatically in a computer portfolio program. Accessing prices via a telephone line through a modem is an excellent but relatively expensive way of doing it. The other possibilities, by no means to be despised, are to convert your computer into a teletext receiver or to subscribe to a data disk service.

With all systems, each share must be identified by a code name which corresponds precisely – including the distribution of capital and small letters in the name – to the code name used in the data source. If your portfolio program can accept automatic updates, there will be space for the code to be entered along with other data when you first identify the share to the program.

Installing a teletext card has the advantage over all other systems that, once acquired, it involves no further expense. Among the disadvantages are that you will need to plug a television aerial into your computer; and that the teletext pages on both the BBC and ITV list only about 500 shares between them whereas more than 3,000 equities, gilts, USM stocks and London-listed overseas securities actually are quoted on the stock exchange.

Curious and very apprehensive, I installed a teletext card from Microtext. But everything went smoothly including FastLink, the program which transferred the teletext data into my own files in the portfolio management program called Fairshares Watchdog.

The Microtext manual explains how to instal and tune the card, how to "grab" teletext pages, and includes directions for finding and saving the prices of particular shares. So, if you are proficient in such matters, you could import your teletext data into a spreadsheet, or use it to update share prices in any investment program as long as you know (or can figure out) the necessary data format.

For instance, the budget program called Quicken includes a shares investment module; and the Quicken manual, for both the MS-DOS and the Windows versions of the program, explains clearly the data format the program can "read" and the procedure for importing prices.

Market Breaker, from Alibro Software, is a "share price analyser" program running under the Windows operating system and designed specifically to take data from teletext without the need for any other program to make the connection. It will draw a number of interesting graphs. You can add non-teletext shares and update them by hand.

Sharewatch, from Dividend Associates, is a program which comes supplied with prices, results and dividends for approximately 1,400 companies going back several years. It is simplicity itself to use. The data can be sorted, analysed and graphed in a number of ways. Shares can be assigned to a portfolio. Prices can be updated weekly, fortnightly or monthly with a new disk which simply over-writes the previous data files, leaving the portfolio information intact.

Second of two articles by ***Jean Miles*** *on monitoring share prices*

Although it lacks some of the features of a complete portfolio management program, Sharewatch – at £40 for the program and £4.10 or less for the update disks, including VAT – is remarkable value for money. It begs the question we started out with – that of how to update prices automatically in your own portfolio program – but it is so cheap that you might want to have a look at it, anyway.

I also tried the weekly data disk service offered by Fairshares Software for use with its programs. This is utterly simple to use and, like Sharewatch, is therefore a good choice for those uneasy about their computer expertise. Over some months, the disk has never failed to arrive in Tuesday's post.

All I have to do is put it in the disk drive and choose "data service update" from the opening menu. Occasionally, one or two prices fail to register, and some of the more recondite unit trusts are not included, but these are not serious complaints. The cost starts at £60 a quarter, including VAT, for "all equities' weekly closing prices" and goes up as you choose other data options.

For users of other programs, the *Financial Times'* Finstat service offers monthly data disks from £40, weekly from £65 (both plus VAT) – expensive, but not absolutely out of the question. You would have to confer with Finstat and/or with the supplier of your software about importing the data into your own files.

I set out on this quest convinced that typing prices was a useful exercise, keeping me in close touch with the progress of each share. But I have enjoyed being awash with data. If I were a more active or adventurous investor, I would certainly go automatic. If active, adventurous and poor, I would choose Sharewatch.

■ *The teletext adapter card for IBM-compatible PCs costs £172.50 (plus VAT) from Microtext, 7 Birdlip Close, Horndean, Hants PO8 9PW. Tel. 0705-595 694; fax 0705-593 988.*

■ *Fairshares Software Ltd, 5 West Street, Epsom, Surrey KT18 7RL. Tel. 0372-741 969; fax 0372-739 883.*

■ *Market Breaker runs on IBM-compatible computers under Windows 3.0 or 3.1. It costs £150 from Alibro Ltd, Alibro House, 190 Ellesmere Road, Willesden Green, London NW10 1JT. Tel./fax 081-208 1067. A demonstration disk is available for £5, refundable on buying the program.*

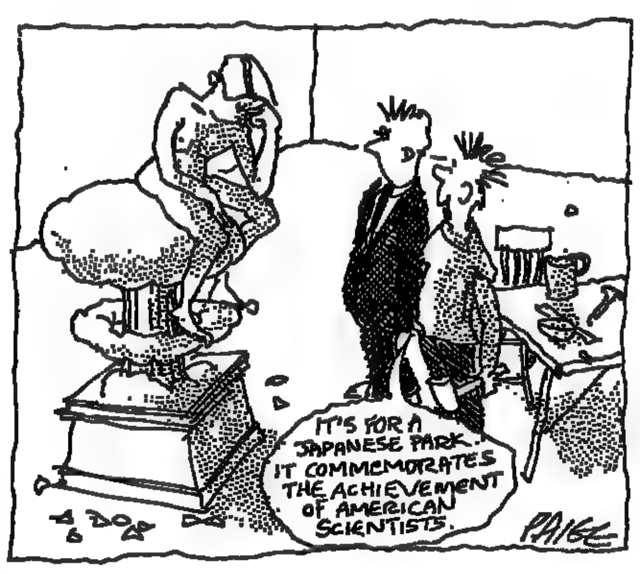
■ *Sharewatch runs on IBM-compatible computers. It costs £39.95 (inc. VAT) from Dividend Associates, 2 The Dell, Vernham Dean, Andover, Hants SP11 0LF. Tel. 0264-87 642.*

■ *Finstat: Tel. 071-873 4613; fax 071-873 4610.*

As they say in Europe / **James Morgan**

Insults lose sting

SEPTEMBER is usually a good month for connoisseurs of conflict. September is when wars start, currencies crash and politics resume. But all those who expected a revival of cross-border rows as a natural accompaniment to mists, mellow fruitfulness, and the first worries about what is wrong with the central heating, will be disappointed by this September, a month that promised so much.



September 2 saw the erection of a replica of an old statue of Kaiser Wilhelm I on the banks of the Rhine, glaring down on the battlefield of Sedan where the French took such a beating at the hands of his troops a century and a quarter ago. (The original was destroyed by the Americans in 1945 in the final assault on the Third Reich).

The insult was doubled by the choice of the day - the anniversary of Sedan, which falls neatly between the anniversary of the invasion of Poland in 1939 and the Anglo-French declaration of war two days later. The British papers chortled gleefully at this appalling provocation.

Nothing happened in France, though. There were no screaming editorials, just the occasional paragraph noting German protestations that the choice of the date was "an accident of the calendar." If you want to upset the French these days, you have to strike at the heart of the country – like suggesting that the money thrown away on farm subsidies should be reduced, or that their football teams should not be allowed to bribe their way to the European Cup.

A couple of days after the affair of the Kaiser's statue, the body of Hungary's Admiral Horthy was transported from Portugal and re-buried at his home. Horthy was the man who used his friendship with the Nazis to ensure his country regained bits of other countries in which large numbers of Hungarians happened to live. In this endeavour, he had the support of his countrymen but not of his neighbours.

Again, the expected explosion did not materialise. Only the Romanians got excited about the affair, but it was routine stuff by their standards. The Bucharest daily, *Adevarul*, put the news of the re-burial on the front page and accused Hungarian leaders of representing Horthy as a "dedicated hero." Others warned of the damage to "Hungarian domestic policy and Budapests's international relations."

In Slovakia, an early Horthy target and a country where the situation of the Hungarian minority continues to spur domestic strife, the re-burial ranked only eighth on the news bulletins. This apparent apathy might, I surmised, have resulted from the fact that the Slovaks themselves were busy putting up plaques to those who collaborated with their Nazi protectors during their country's last, somewhat inglorious, period of independence.

The British may well sneer at the way other nations commemorate national heroes whose sole claim to merit is that they were (as in the case of the Kaiser) not horrible or stupid like their successors or (like Horthy) someone who bore a passing resemblance to a human being in a period and region dominated by psychopaths. But 1993 is the year of the offensive memorial, and the British themselves led the way when the Queen Mother unveiled a statue of the late Lord "Bomber" Harris in May.

He was the man who masterminded the attempt to lay waste to Germany during the second world war. The memorial was probably not the result of any desire to annoy but rather a guilty feeling that Harris had been overlooked unfairly in the past. The Germans were upset because the statue appeared in 1993 and not 1946, which would have been understandable.

In other words, this year is the one where the peoples of Europe feel they can again ride rough-shod over whatever sensitivities their neighbours may possess. But the odd thing is that, not only in France but also in eastern Europe, there seems a certain preparedness to react with moderation.

Government-to-government relations remain reasonably civilised in spite of the pursuit of campaigns, in one country or another, to revive ancient grudges. Scarcely a day passes when the Hungarian press does not mention the tribulations of their brothers in Transylvania or Slovakia; yet, somehow, the governments rub along together.

A year ago, there were forecasts that the Yugoslav nightmare would spread throughout the Balkans; that has not happened. The Greeks threatened heavens-knows-what over the Macedonian question but the swords have remained sheathed. The Bulgarians, unexpectedly, have not taken advantage of their new freedom to attack anybody and Albania has not been provoked by Serb oppression of its sons in Kosovo.

Dare one think: is Europe growing up? Is it possible for one nation to indulge in absurd or offensive gestures wthout enraging others? And, if that is the case, will the indulgence now cease?

■ *James Morgan is economics correspondent of the BBC World Service.*

Morality of greed and nepotism

Professor John Broome says the new capitalism praised by Lord Lawson last week is a licence for dog to eat dog

LORD LAWSON'S moral defence of capitalism is chiefly a negative one. It is a response to two moral objections that have been raised against capitalism; that it rests on self-interest, and that it promotes inequality between people, both of which are claimed to be morally bad.

Lawson's positive case for capitalism is less moral than economic: he claims it is very successful economically. If he can refute the moral objections, he feels its success is enough to recommend it.

Has capitalism been economically successful? – I mean Lawson's own radical capitalism, not the moderate type that previously prevailed in the UK. Compare the success of the two.

In the 12 years after Margaret Thatcher's election in 1979, with the tremendous advantage of North Sea oil, UK national income grew at an average rate of 1.8 per cent per year. In the previous 12 years, mostly under Labour and with the Opec oil crisis to contend with, it grew at 2.4 per cent. The unemployment rate was on average almost three times higher after 1979. To be sure, inflation was largely under control, but control of inflation is supposed to be a means to growth rather than an end in itself, and the growth did not follow.

Of course, the two periods were very different, and there is no knowing what would have happened under different management. But the record certainly does not support Lawson's claim of economic success.

It looks more like failure. Capitalism has scored political success, of course.

Growth after 1979 was very unevenly distributed across the population. Nearly half the increased income went to the richest 15 per cent, so for them capitalism has indeed been economically successful. But not for the rest. The poorest five per cent actually got poorer. Lawson commends capitalism as the way to reduce poverty, but in fact his capitalism increased it. You can see the new homeless poor in the streets.

Now the moral arguments. Lawson does not deny that capitalism relies on self interest and that it promotes inequality. He does deny these are bad things. On the first, he points out that people are naturally self-interested, and an economic system does well to make use of the propensity. I agree that much of our behaviour is self interested, and furthermore to a large extent our ordinary morality makes no objection.

Morality allows us to pursue our own interests, but it sets boundaries. One moral boundary it that you must obey the law.

You must not snatch an old lady's handbag, even if it is perfectly safe to do so, and you must not divert pension funds for your private gain. Morality also tells you not to do somethings that the law permits. You may work for your own prosperity, but not deliberately at the expense of other people. You must not hurt the people around you, and you should act fairly towards them. Dog eats dog is not how society ought to be.

But the new capitalism licensed dog to eat dog. It pushed back the boundaries of what is morally permitted in the pursuit of self interest. It encouraged people to believe they could do anything so long as it was legal.

Not surprisingly, as the boundaries moved back, more people trespassed even beyond the law.

Crime increased on the streets and in high circles. Business schools started to teach "business ethics", presumably because their students had forgotten the elementary morality their mothers taught them. A growing nastiness spread through British society in the 1980s. The new capitalism did, indeed, contribute to moral decline.

Inequality next. Lawson denies the value of equality, but he himself presents the best argument for it. He insists on the claims of equity and desert: if one person works overtime and another does not, he says, the former deserves more pay.

Certainly. What egalitarians complain about is not inequality itself, but undeserved inequality. They believe pay should be in proportion to desert. When a labourer finds a director earning ten times as much as him, he knows the director does not work ten times as hard. So how does he or she deserve the pay? By talents and ability, perhaps? Capitalism rewards some talents, but not others. It rewards good accountants, persuasive salesmen, people who are quick to take a money-making opportunity, artists who produce popular ephemera.

It does not reward modest, skilful and hardworking craftsmen, doctors who practice where they are most needed rather than where they are paid the most, poets and pure scientists who permanently enrich our culture. Why should the possessors of the capitalist talents be the ones who deserve reward, and not these others? Just because capitalism rewards a talent, it does not follow that this talent deserves reward more than others.

In any case, the main cause of the difference between the labourer and the director is probably their different starting points in life. Most inequality in the UK is not determined either by work or talent, but by prior advantage. It is possible to achieve prosperity from disadvantaged beginnings but much easier if you have been to the right school.

When Lawson commends the family, he means to commend, not just love and security at home, but the transmission of wealth and privilege from one generation to the next. This is another way capitalism distributes advantages and disadvantages to those who do not deserve them. Moreover, capitalism reguarly throws people into underved poverty by taking away their jobs. A great deal of the inequality under capitalism has nothing to do with merit or desert. That is, indeed, immoral.

So the moral arguments against the new capitalism still stand, and economically it seems more a failure than a success.

Tom Fort / Fishing

In the steps of the master

I DOUBT if there has been a cleverer, more clear-sighted trout fisherman than the dry-stick legal eagle, G E M Skues. The initials stood for George Edward Mackenzie, but he wasn't the sort of chap you hailed with: "George, old man, how's it going?" Emotionally he kept himself to himself, lived with his sisters in Croydon, south London, worked for the same firm of solicitors for 60 years, and devoted whatever passion he had to a Hampshire chalk stream and its residents.

Skues first fished the Itchen as a boy at Winchester, and I find it a consoling thought that he caught nothing at all for four months. Its pellucid water, emerald weed and highly scholastic trout gripped his intellect and imagination and never slackened.

His great gift was to see through the surface, into the water. He observed, analysed, calculated, produced solutions. He was not, I think, a writer of the first rank, for his sympathies were narrow and he did not concern himself with the humanity and philosophy of the sport. But he was a stylist, in his dry, precise way, with a lawyer's sense of humour. And he was a brilliantly original thinker about fishing.

As such, Skues made enemies among the English, who treasure mediocrity and conventionality. Without going too far into the abstrusities of fly fishing theory, it is enough to say that he stood the sport on its head.

His great discovery was that chalkstream trout gained more of their diet from eating insects below the surface, than from snaffling those on it. It hardly sounds earth shattering, but the chalkstream code was built on the dogma that the only way to catch a trout was with an imitation of the floating fly.

This code was long on hypocrisy, myopia and snobbery; distinctly short on commonsense. But its devotees, the English sport-loving gentry, clung to it with all the fierce, obstinate prejudice of their breed. And Skues, a thousand times brainier than they, and just as obstinate, danced rings round them in argument.

I had long cherished the hope of fishing the stretch of the Itchen on which Skues developed his theories and practice, and from which he was eventually driven by ill feeling. It is called Abbots Barton, and lies on the outskirts of Winchester, where the roar of the bypass traffic competes with the chimes of cathedral bells where Isaak Walton's bones lie.

No one could pretend that it is a place of untouched, sylvan loveliness. But between the road, and the housing estate, and the factories and warehouses looming through the trees, are spread the water meadows much as they were in Skues' day, dotted with copses and spinneys and intersected by the Itchen and its carriers.

The fishing is still good, though not as good as in that golden era. The hatches of fly are comparatively plentiful, the water is pure, the fish are wary, and the condition of the place first rate. Much of the credit for this goes to a man as unlike the old-style Itchen stuffed shirt as it is possible to imagine.

Roy Darlington is unmistakeably a Midlander, square-jawed, blunt speaking. When he came to Abbots Barton, it was derelict. Moved by the spirit of Skues, and with much help from his brother, Ron, and a band of companions, he set about clearing the little streams, shifting the silt, allowing the crystal water to move once more.

He directed me to the main river that same evening. As I strolled across the meadow, I was thinking about the old ways, when a system of irrigating ditches led the flood water of winter to soak the land. I was wondering what had happened to these ditches when suddenly I fell into one.

Squelching on to the river, I passed by the seat dedicated to Skues. Not a trout rose in earnest, until directed by a kind fellow angler I came upon cluster of them, feeding on a sparse hatch of bluewinged olives.

Oh Skues of blessed memory, I thought, as I knotted an an Orange Quill. He it was who discovered that this fly, with its hot orange body, could pass itself off as the BWO in the late evening. The first fish I covered took it like a lamb, and fought like a tiger. When darkness fell, I made my way back through the meadow, with my two-and-a-quarter pounder in my bag and raised my hat reverentially to the shadow of a great fisherman.

Tense moment for Kasparov as he executes a not quite decisive move against his adversary in the second round match which ended in a draw

Battle for a king's crown

Leonard Barden reports on Kasparov and Short's latest game play

THE body language says it all. Kasparov is perpetually restless, shifting to and fro in his chair, striding off to his rest-room, or consulting his score-sheet. Short sits stiffly, throbbing vein in his forehead, looking tense and stern. On Thursday night, when Kasparov had recovered from a dubious middle game to an endgame initiative, Short even started muttering to himself as if cursing his ill-luck.

So far, the British champion has lost the first game on time in a near-winning position after Kasparov completely spoilt a decisive attack, while the second game was drawn after Short dominated the early stages.

The problem is that Short is jinxed against the Russian. Since he scored his solitary tournament win over Kasparov in 1986, Nigel has met him 15 times with the dreadful outcome of four draws and 11 defeats. His frustration at such a sequence will be greater since their two games at the Savoy Theatre have featured the best positions he has had against Kasparov during the seven years.

The main hope for Short on the evidence of the first two games is that so far Kasparov has played below his awesome best. He missed simple wins by his own high standards in game one, while in game two he was outplayed for the first 20 moves, with his king stranded in the centre of the board unable to castle. Still, the overall impression is that Kasparov is just slightly misfiring, like a sports car revving-up to full power.

Short said before the match that he was under no pressure and could simply enjoy the game. The pressures, however, are inescapable. First, he needs a win, and soon, to convince himself that he can score against Kasparov. If he performs well, the tension of approaching the greatest upset in world championship history will mount; if he does badly, there is the constant problem of containing Kasparov's lead. Only in the final few games, if he has no chance of the title but is losing by an honourable two or three points, can he truly relax.

Kasparov's situation is already more comfortable. He has added, albeit unconvincingly, a point to the cushion he enjoys as title-holder of retaining his crown in the event of a tied series.

The champion is an overwhelming 5-1 on favourite with bookmakers, although spread betting firms, which effectively offer odds about the margin of victory, report that most of their clients are backing Short to lose by a narrower margin than the six or seven points over 24 games that was predicted before play began.

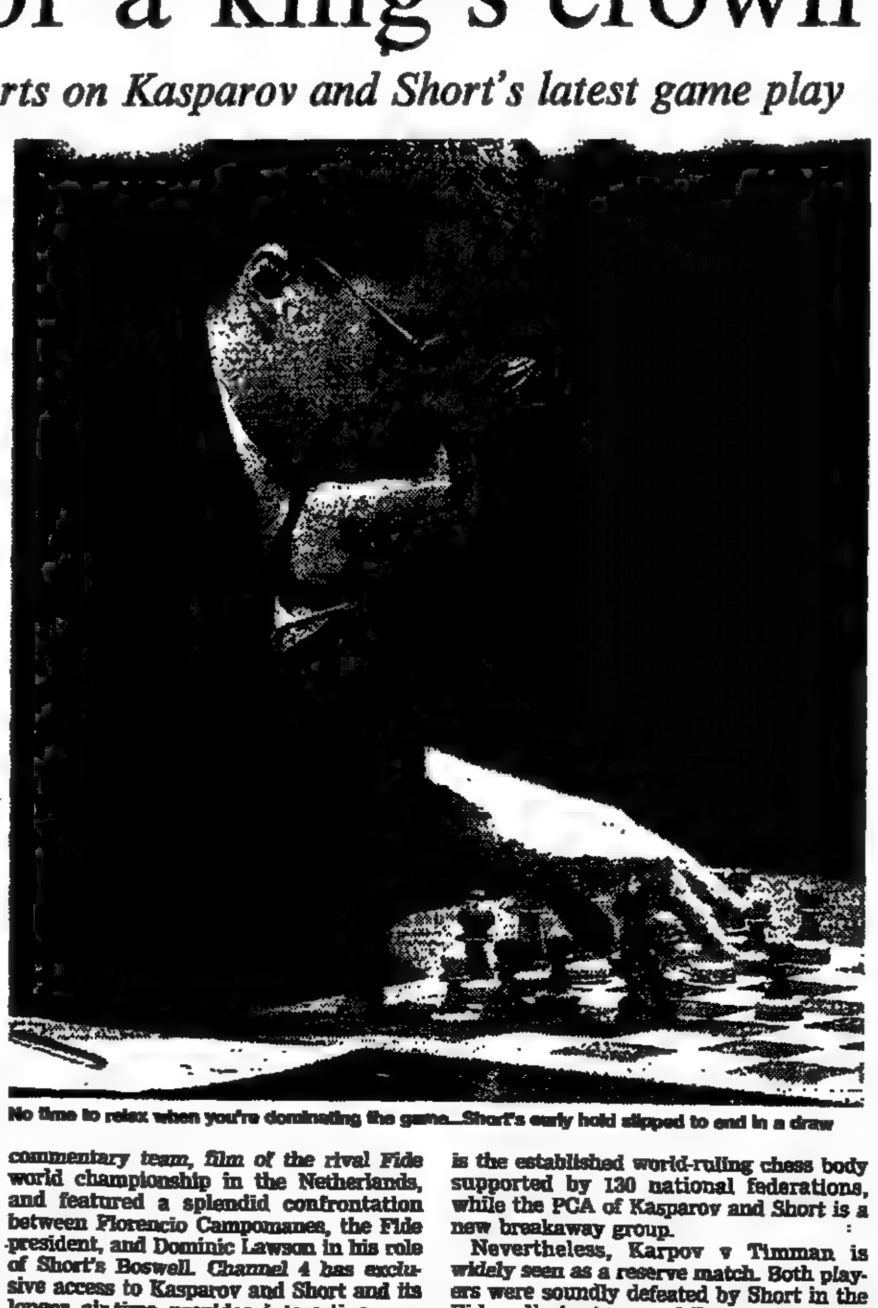
Offboard, Channel 4, with three transmissions each playing day, has recovered from a shaky start against BBC 2's half-hour programme. The BBC has a lively commentary team, film of the rival Fide world championship in the Netherlands, and featured a splendid confrontation between Florencio Campomanes, the Fide president, and Dominic Lawson in his role of Short's Boswell. Channel 4 has exclusive access to Kasparov and Short and its longer air-time provides interesting running commentaries during play, aimed at beginners and committed chess fans.

The first two games have been well attended but the crunch for *The Times's* optimistic seat-pricing (£20-£55, reduced from the original £45-£150) will come when the novelty wears off and especially if Short is trailing. I shall not be surprised if spectators can watch the later games for a more realistic £7 or £10, so if you are thinking about a visit to the Savoy and are deterred by the cost then wait till the second half of the match in October.

The rival Fide world championship between Anatoly Karpov and Jan Timman is also under way in the Netherlands. Fide is the established world-ruling chess body supported by 130 national federations, while the PCA of Kasparov and Short is a new breakaway group.

Nevertheless, Karpov v Timman is widely seen as a reserve match. Both players were soundly defeated by Short in the Fide eliminators, while the £900,000 finance for the Fide match comes solely from the Sheikh of Oman, where the second half will be played, after the Netherlands was unable to raise its half of the prize money.

Kasparov rubbished the rival series at his pre-match Press conference, saying: "I think more people will come to see us than the citizens who watch Karpov and Timman." However, the games at Zwolle have been played to packed audiences of nearly 1,000 daily and enthusiasm is growing after a promising start by Timman, who was regarded as a no-hoper in view of his poor record against Karpov. The score is 1-1, with one draw.



No time to relax when you're dominating the game...Short's early hold slipped to end in a draw

Truth of the Matter

Is science all a bore?

Or do scientists make it seem boring? asks Nigel Spivey

IN AUGUST 1838 the Rev Professor Adam Sedgwick went to Tynemouth to give a lecture on behalf of the British Association for the Advancement of Science. His lecture theatre was Tynemouth beach, his subject the surrounding and underlying rocks and his audience was mostly made up of local colliers – 3,000-4,000 of them.

This was a remarkable event in its time, but seems even more remarkable now. One hesitates to impugn the minds of modern miners, but it is hard to imagine them turning out by the thousand for a geology field class. It is equally difficult to imagine a Cambridge professor today managing to hold such a vast lay audience – especially with slides, overhead projector and photocopied handouts.

It will never be like that again. That is the lament which all scientists can justifiably rehearse. Sedgwick was (literally) at the cutting edge of modern geology. The sequences of the earth's surfaces now established in textbooks – the order of Cambrian and Silurian, for example – were then matters for passionate, friendship-wrecking debate. Fresh crops of fossils nourished their own thriving and inventive taxonomy. And up into the Welsh mountains with Sedgwick scrambled the young Charles Darwin, soon to become more of a household name than Mrs Beeton.

All this predates the "two cultures" mentality either described or fabricated by C P Snow some 30 years ago. Would any modern publisher be able to produce what was hugely successful in the last century – a guide to the Lake District, combining the geological analyses of Sedgwick with the poetical topography of William Wordsworth?

Sedgwick duly did his stint as president of the British Association. David Weatherall, current president, made the blanket complaint during the association's latest gathering at Keele, that British society was "anti-science".

This is a complaint heard regularly from university dons, and is often extended to describe Britain as an unfriendly habitat for any sort of intellectual, let alone the pure scientist.

But Weatherall at least had the honesty to heap part of the blame on himself and his colleagues. Locked in their own impenetrable Argo, their peer-reviewed journals and their bubbling laboratories, scientists have become plain negligent at explaining themselves. In Weatherall's own field of medicine, there ought to be public excitement about new research. Perhaps not the pitch of excitement enjoyed by Sedgwick et al, but at least a significant awareness. Many common afflictions – arthritis for one – remain, after all, fundamentally mysterious. So why should we be excluded from the fun of discovery?

Britain is not intrinsically an anti-science nation. Measuring public commitment is tricky, though it may be relatively consoling to David Weatherall that 50 per cent of Americans are said not to believe in the theory of evolution. But the people who put Stephen Hawking's *Brief History of Time* into the best seller lists, whose children noisely throng the South Kensington museums, who ensure David Attenborough's faunal epics prime time on television, cannot be accused of lacking the basic willingness to be informed. The fault lies with those who refuse to inform.

This issue is made topical by the failure of universities to fill places on science-based courses. It has also become personally contingent, as I undertake this autumn the editorship of *The Cambridge Review*, a journal which ought to provide a means of divulging all sorts of university research. But the biggest challenge of the job, according to the outgoing editors, is that scientists will not write. And so the principal energies of the university remain largely obscure to the public at large.

One of the contributors to the recent Keele congress was a specialist in artificial intelligence. He has been trying to get computers to write novels, and has concluded that the next Flaubert will never be an Apple Mac. Disappointing news, then, to those scientists who prefer to remain mute.

But the solution does lie in Flaubert's direction. It was demonstrated in 1967, when James Watson published a great account of his investigations into molecular structure with Francis Crick. *The story of DNA* would not be a story at all if it were not for Watson's use of the storyteller's craft. No one says that he misrepresents the actual research. But in *The Double Helix* he certainly exaggerates the personalities of himself, his collaborator, and their rivals. In short, he amalgamates the processes of scientific inquiry with the techniques of literary narrative.

The DNA tale is presently being televised. It is to be hoped that it scores on our screens; and that more scientists will follow Watson's elementary lead.

TRAVEL

South-east Asia: **Victor Mallet** rides the Eastern & Oriental Express, and **Nicholas Woodsworth** potters around Malacca

The other face of the mystic orient

SOMEONE has to say it. South-east Asia in the 1990s is about as exotic and mysterious as Margate in winter, writes Victor Mallet. This became clear to me as I approached the inner sanctum of the ancient temple of Angkor Wat in Cambodia. I was ready to be awe-struck. I was not ready for the electronic burbling noises: a Khmer woman seated on a wall was concentrating ferociously as she played her hand-held "Game Boy."

Over in Borneo, my climb to the top of Mt Kinabalu, the highest mountain in south-east Asia, was marred by the unwanted company of two coachloads of Koreans. It is hardly surprising that the Kinabalu friendly warbler which hopped about happily at the feet of the first climbers in the middle of the last century is now not very friendly and rarely seen. My certificate suggests that I am at least the 72,406th person to have reached the peak.

In south-east Asia, people spend much of their time buying things in shopping malls, sitting in traffic jams and watching soap operas on television. Forests are cut down to make way for condominiums. Hills are demolished and taken away to be used as cement for motorways and skyscrapers.

So you can ignore all the obligatory guff about (I quote) "the exotic and mysterious east" in the brochures published by the new Eastern & Oriental Express train company. Thailand may be "a land of water lilies, bright green rice fields and swaying palm trees," but it is also a country of polluted rivers, urban sprawl and probably the ugliest capital city in the world.

As for the southern town of Hat Yai – "a commercial centre known for its naughty night-life" – it is a concrete jungle full of seedy brothels for visiting Malaysians.

Not that south-east Asia is dull; nor is it uniform. In the course of a 42-hour, 1,943-kilometre journey up the Malayan peninsula, the E&O can transport you in great luxury from order to chaos – from Singapore, in other words, to Bangkok by way of Kuala Lumpur. Each of the three countries on the route is undergoing an economic boom. But each has chosen to handle its good fortune in a different way.

Singapore believes in discipline and control. Everything works. The airport functions so smoothly, and passengers are whisked away so promptly, that you wonder where everybody is when you first fly in.

Chewing gum is banned because it is messy and it used to interfere with the closing of the doors on the subway trains. Citizens are urged in government advertising campaigns to be polite, flush the toilets and have more babies. They generally obey. Managers of high-rise hotels forbid you to open the window of your room. Information is restricted.

Thailand is the opposite. It is undisciplined and chaotic. Traffic jams are so nightmarish that the government advised people last year to carry provisions and portable toilets in their cars.

There are hundreds of laws, but few people obey them. Prostitution is illegal and even the mildest love scenes are censored at the movies. But you can walk out of the cinema into a brothel owned by the police, or participate (if you wish) in a live sex show.

Armed with this information, you can settle down in the bar of the E&O express with a beer – or a $180 bottle of Dom Perignon – and engage in the debate that often dominates expatriate conversations in south-east Asia: which is better, Bangkok or Singapore?

The arguments can be passionate. Residents of Singapore are torn between praising the island's convenience and cleanliness on the one hand, and claiming, on the other, that it is much more interesting than it seems. In support of the latter line of thought, a commodity broker once told me how his boss, visiting from London, died in his hotel room after being drugged and robbed by a transvestite prostitute.

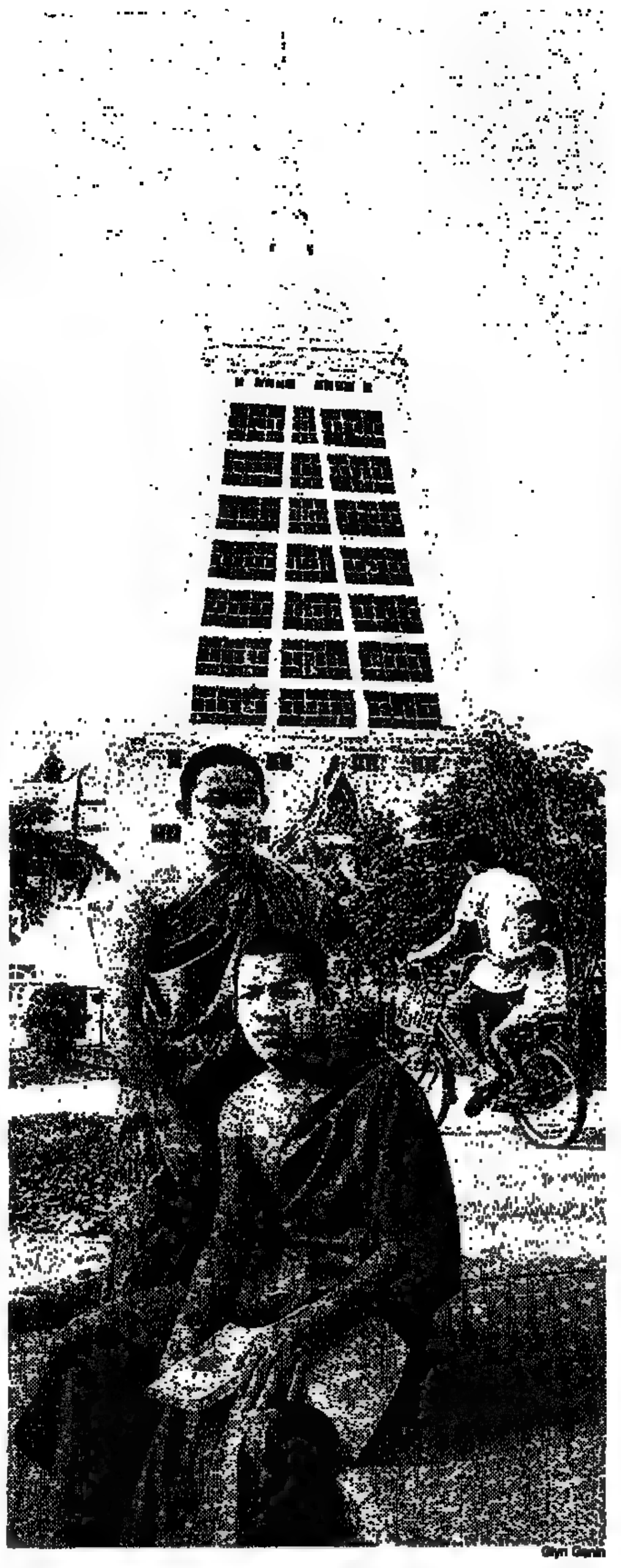
Bangkok loyalists are equally ambivalent. They abhor the pollution and corruption of Thailand, but regard Singapore as impossibly humourless and sterile, a sort of shiny Swiss hospital parked in the tropics. (Kuala Lumpur, psychologically as well as geographically, comes somewhere in between).

What all of south-east Asia has in common is the urge to make money. The leisurely, nostalgic journey on the E&O, with its wood-panelled interior inspired by the 1932 film *Shanghai Express*, is aimed more at the visitor than at local tycoons.

Among those who most enjoyed the trip I took were a wealthy tourist couple from New Zealand and a pair of Surbiton teachers on honeymoon. Meanwhile, the managing director of a Thai company had a habit of rushing to the observation car at the back of the train with his short-wave radio to find out the yen/dollar rate. Fun for some, perhaps, but hardly exotic.

■ **Victor Mallet was a guest of Eastern & Oriental Express, a sister of the Venice Simplon-Orient-Express. Address: Sea Containers House, 20 Upper Ground, London SE1 9PF, tel: (071)-928-6000, fax: (071)-620-1210. The train travels each way between Singapore and Bangkok once a week. Passengers can board or alight at other main stations on the way. Excursions are also planned to places such as Malacca in Malaysia and Kanchanaburi, the site of the Death Railway's bridge over the river Kwai in Thailand.**

Fares start at £740 per person for a sleeping compartment and meals one way between Singapore and Bangkok. Single occupancy supplement: £370 for sleeping compartments. State compartments cost £1,020 per person (single supp £510).



Glyn Genin

A rare moment of peace in Bangkok

The past lives on for old romantics

LIKE MANY westerners, I tend to an over-romantic view of the east, writes Nicholas Woodsworth. I should know better. We live in the 1990s and the wonders of the Orient are less wonderful than formerly. Yet hope springs eternal.

Malacca, in Malaysia, is one of those Asian places with an irresistible name, and, speeding towards it along the motorway from the skyscrapers of Kuala Lumpur, I began creating a fabulous city. Certainly the literature I had collected on Malacca did nothing to dissuade me. I can always spot a guidebook author who has the same romantic infirmity as I: long lists of exotic trade-goods are a giveaway.

As I stepped from the bus into tropical rain, hotel touts proffered handfuls of limp pamphlets. I stalked off. I could find historic splendour on my own. Two hours later, weary and defeated, I checked into a dingy hotel.

It was the nearest thing I could find to historic splendour. Malacca seemed to have become a backwater, a forgotten town perched on the edge of a somnolent coast. There was nothing but the rain on the roof and the revving of car engines from the auto repair shop on the far side of the street.

At the waterfront, where a narrow and muddy river flows into the Straits of Malacca, I watched mud-skippers flop about in the ooze of low tide.

On St Paul's Hill, overlooking the banks of the river, I wandered about a 16th century church built by the Portuguese at the beginning of their 130-year rule of Malacca. Roofless and doorless, it, too, has been abandoned. Even the tomb of St Francis Xavier has been emptied and the body of the great Jesuit reinterred in Goa.

Malacca depressed me. Even Christ Church, a splendid red Dutch building later appropriated by the British, was sad. It was full of lugubrious marble plaques commemorating entire English families decimated by tropical disease. There was history in Malacca's old buildings, but it all seemed dead and forsaken. Wandering back to my hotel through a grey drizzle, I began to think of moving down the coast to that bright temple of modernism, Singapore.

But I did not. Instead, on a street corner, I bumped into a Malaccan who showed me that the past is not just abandoned churches and fortresses. I had been *looking in the wrong* place.

I met Roland Lee outside his home, began chatting, and ended up staying there for several days. His house sits not far from the river on the town's old Heeren Street, a narrow road once inhabited by Malacca's Dutch notables. It seems ordinary enough. From the outside lacquered family name-plaques in Chinese script are the only distinguishing features of these terraced houses. Walk inside, though, and you walk into a story 500 years old.

British, Dutch and Portuguese can all claim long traditions here, but Roland's pedigree outdoes them all. A Peranakan, or Straits-born Chinese, his family was settled in Malacca 200 years before the first Europeans set foot there.

The Chinese, wherever they immigrate in Asia, rarely marry outside their own community. Those who came to the Malaysian peninsula in the late 1800s to work the British tin mines and rubber plantations, and now number some 5m, are good examples.

But the Peranakans are different. When Chinese merchants arrived in Malacca in the 1400s they came without wives or families. Trade was so good they settled; they took Malayan wives. The mixing of two peoples of almost diametrically opposed character – one hard-working and profit-oriented, the other non-materialist and other-worldly – gave rise to a peculiar culture: a wealthy and influential business community with a love of sensual things.

Today the Peranakans of Malacca have fallen behind Malaysia's ethnic Chinese in the race for prosperity, but they have not given up their past. They retain their love of poetry and brightly coloured clothing, ornately carved furniture, distinctive pink, yellow and green ceramics, elaborate ritual and family ceremonies, cuisine that is Chinese in its *refinement but Malayan in its* spiciness.

There were traces of all these things in Roland's house. As Malacca's economy declined and Peranakan wealth shifted to Penang, Singapore or Sydney, the uncles and brothers, cousins and great aunts who lived there gradually moved away: today Roland is the sole resident of a vast, extended-family building stretching 93 yards from front door to back.

Roland refuses to leave all this; he is too proud of his ancestral home and his culture. But the Peranakans who remain on Heeren Street are not alone in nurturing the past. They are just one of half-a-dozen cultures thrown up by Malacca's history.

Amid clouds of joss smoke in the Cheng Hoon Teng temple, the oldest in Malaysia, Roland introduced me to friends in the ethnic Chinese community. At the Kampong Hulu Mosque I met Malay Muslims. At the Murthi Hindu temple I watched Malacca's Indians at prayer.

In the town's crowded commercial district I talked to Chetti money-lenders, the offspring of Malay-Indian marriages, plying their trade sitting cross-legged in front of safes. On the beach outside town I watched Portuguese-speaking fishermen set sail.

The domes and spires of Coleridge's Xanadu grow dimmer daily. Kipling's flying fish are rare of late in Mandalay. But I am reassured. In the great rainbow mix of races in one quiet backwater of the east, the past lives.

Frankfurt show / **Stuart Marshall**

Gloom outside the showroom

OUTSIDE Frankfurt's monster exhibition complex the skies are dark for Germany's car makers. *Inside, the sparkling*, larger-than-life 55th international motor show goes on.

Britain's car industry is currently enjoying a minor boom, making and selling about 8 per cent more cars than this time last year.

It is a different story across the Channel though. In Germany, Europe's largest new car market, sales are 21 per cent down. Spain (a 29 per cent drop) and Italy (26 per cent) are worse off and France (17 per cent) not much better.

German car makers are trimming their sails to reduce production costs. Volkswagen has eliminated 20,000 jobs this year, with more still to go, and is telling component suppliers to cut their prices. Mercedes-Benz is to cut 23,000 jobs next year to save £125m – its earnings fell 45 per cent in 1992.

Critics have said Mercedes cars – particularly the large and luxurious S-Class – are out of tune with recessionary times. That may be so but the S-Class is arguably the world's best big car. I drove a newly-introduced budget version with a 2.8-litre engine to Frankfurt for the show. More of this – and of the show itself – next week.

The only good thing about being first into a recession is that, with any luck, you are first out of it. Britain's main worry is that some of the steam has gone out of its exports to EC countries – Peugeots, Toyotas, Hondas and Nissans as well as Fords, Vauxhalls and, of course, Rovers and Land Rovers – because of the sharp fall in mainland European car sales.

But the gloom is forgotten inside the Frankfurt show. It remains the German motor industry's shop window. Among the most interesting exhibits are two German concept cars, the tiny Mercedes-Benz Vision A 93 and the Audi ASF.

Mercedes calls the Vision a serious design study for a new class of car it intends to launch after 1995. Only 3.35m (11ft 2in) long, this high-roofed five-door looks like a city centre car but is also meant for serious driving. It is surprisingly roomy because the engine, a super-economical 3-cylinder direct-injection diesel, is tucked away under the floor. Audi's ASF – for aluminium space frame – concept is a 10-year joint effort with Alcoa (Aluminium Company of America). Aluminium has a lot going for it. An aluminium space-frame body shell is 40 per cent lighter than one pressed from steel sheet.

This is important because 70 per cent of total fuel consumption is reckoned to be influenced directly by vehicle weight. All new models seem to be heavier than those they have replaced because customers want greater safety and more luxury equipment.

Making a car largely from aluminium would reverse this unwelcome trend. An ASF car is also said to be safer to crash in, easier to repair and to have a longer potential life because aluminium corrodes slowly. As a bonus, aluminium can be melted down and used again almost indefinitely, saving natural resources.

The power unit proposed for ASF, which is a four-door luxury saloon, is a 3.4-litre direct-injection diesel derived from the current Audi V8's engine.

The big ASF saloon will not go into production though Audi says it could. But another ASF-bodied Audi car is due to go on sale next year after making a debut at Geneva Show in March.

Ford, too, has an all-aluminium concept car, the Synthesis 2010, at Frankfurt, but the lightweight aluminium family car in the Escort, Golf or Astra class is still many years away. Chrysler has become so serious about the European market, in which it sold nearly 29,000 cars from January-June, that it broke its habits of a lifetime and chose a European show as launch pad for its new Neon compact saloon. Neon, a graceful four-door, goes on sale on mainland Europe next summer. Chrysler is not ruling out a right-hand drive version for Britain, where its Jeeps have sold well this year.

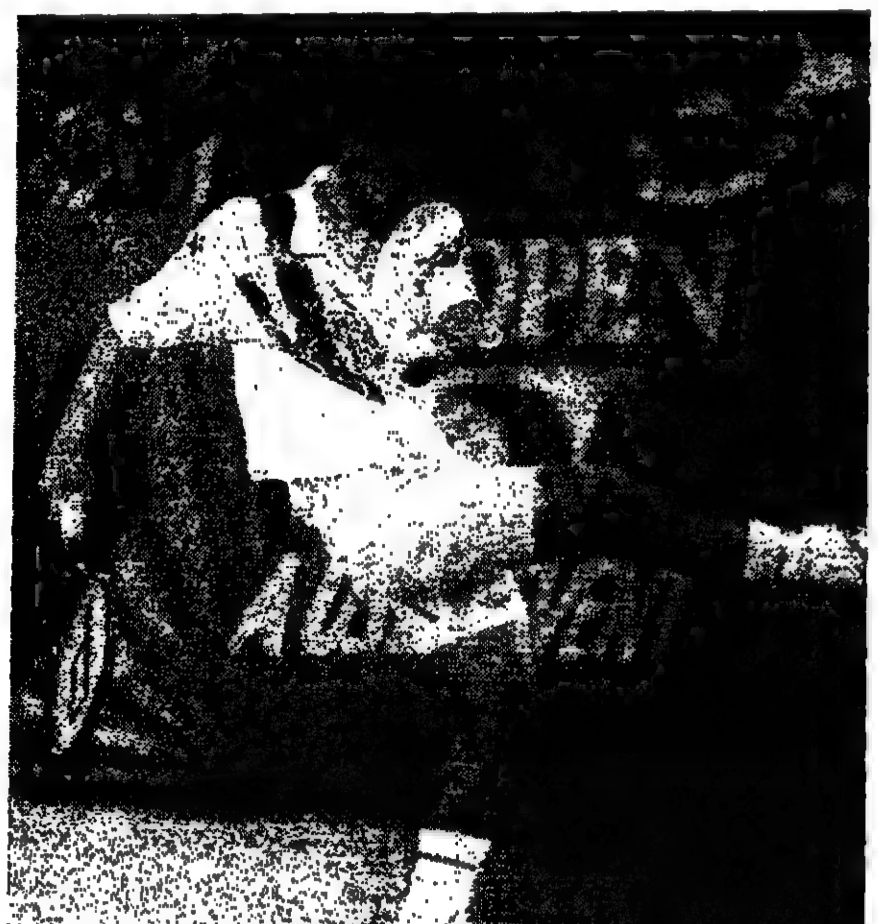
Also making a debut at Frankfurt is the Chrysler Vision saloon, 3.5-litre V6 engined, with combined traction control and anti-lock brakes. It has had rave reviews in the US and looks as if it might make some conquests as a Ford Scorpio or Opel Senator alternative when it reaches European (not British) dealers soon.

Mazda unveiled at Frankfurt the Xedos 9, a car it hopes will bring no joy to BMW or Mercedes dealers when it arrives in Germany in the near future and the rest of Europe, Britain included, early in 1944. Xedos is an upmarket brand, Mazda's equivalent of Toyota's Lexus.

The new car has V6 engines of 2.0-litres or 2.5 litres capacity. Four-wheel steering is an option and electronic traction control standard on the 2.5-litre model. Peugeot's pretty Pininfarina-styled 306 cabriolet makes a Frankfurt world premiere; this rival for the new VW Golf cabriolet has a power operated hood and, like the Golf, comes to Britain in early 1994.

Already on sale but making their first show appearances are the Mercedes-Benz C-Class, a sleeker, roomier successor to the best-selling 190, and the new Saab 900, in every way a better car than the old one. Frankfurt is not just the largest and most important European motor show but the most exhausting to visit.

In spite of its airy modern buildings and moving walkways, it demands dedication, comfortable shoes and time. Do not even think of trying to see it all in a single day. Just as a train from Euston or a tube to Earls Court are the only cost-effective forms of transport to our own Birmingham and London shows, a tram from the main station to the exhibition halls makes best sense at Frankfurt. There has to be a moral somewhere.



Overpowered: Michael Chang kicks out during his loss to Pete Sampras

US Open Tennis

An upset in the ratings game

*TV's 'Super Saturday' in New York has been ruined by Cedric Pioline, Alexander Volkov and Wally Masur. **John Barrett**, for one, is pleased*

EVEN without the 11 players who retired, defaulted or otherwise withdrew, the 25th US Championships of the open era have provided enough on-court shocks among the men to be sub-titled "Slaughter on 10th Avenue." No Gershwin melody ever sounded as sweet to Cedric Pioline and Magnus Larsson, unlikely heroes from France and Sweden, who beat respectively the top seed and world No 1 Jim Courier, and the 1989 champion Boris Becker, seeded No 4.

These two upsets shook the tennis establishment and sent a chill through the CBS television network whose prime time coverage of today's semi-finals will be Cedric Pioline, the No 15 seed, versus the unseeded Australian Wally Masur, and Alexander Volkov of Russia against the Pete Sampras of the US, the No 2 seed. This is hardly what CBS had planned for "Super-Saturday", an annual day of disgrace in the tennis calendar when the women's singles final is sandwiched between the two men's semi-finals. The winning men playing their final the following day.

Accordingly I have little sympathy for the officials who put ratings before their responsibility to the performers and the paying public. I cannot think of another leading sport where the finalists do not know when they will compete. As for the men having no day of rest before the final, this is unfair on them. I well remember the fiasco in 1985 when John McEnroe won a magnificent five-set battle against Mats Wilander. It was brutally hot and humid and McEnroe was exhausted. The following day, against Ivan Lendl, who had easily beaten Jimmy Connors, McEnroe slid tamely to defeat. With a day's rest we might have had the final we deserved.

Yet there is a simple answer. If the championships were moved one week earlier the final weekend would coincide with Labor Day. The two men's semis would be played on the Saturday, the women's singles and men's doubles on the Sunday and the men's singles and mixed doubles on the holiday Monday. This simple solution will doubtless be sacrificed to TV schedules – in other words, money. A pity this, because the income of the USTA would not be seriously threatened by laying down the conditions for the bidding networks. In any case one must question the wisdom of increasing the prize money so sharply. There really was no pressure from the players or anyone else to raise it from $8,210,200 last year to $9,022,000 this (more than double the 1988 total).

Night play is another example of commercial exploitation taking precedence over sporting fairness. The US Open, like the Australian Open, is two tournaments: one played in daylight, the other under lights. There have been players, such as Bjorn Borg, who simply could not see as well at night. His plea not to play Roscoe Tanner, the fast serving American left-hander, at night in 1979 was ignored. Borg lost. Cynics suggested that national interest had overridden impartiality.

The foolish scheduling this year, which spread the first round singles matches over three days instead of two, caught up with the organisers when rain prevented Becker from playing more than two points of his night match against Andrei Cherkasov on the first Wednesday. Further rain interrupted the conclusion on Thursday as Becker struggled back to win 6-4 in the fifth. Now, to win the tournament, he would have had to survive six best-of-five set matches in 10 days, a totally avoidable situation. Fatigue was certainly a contributory factor as a jaded Becker eventually lost to Larsson.

Yes, there has been some controversy this year but there have also been some impressive performances from other relative newcomers such as Andrei Medvedev, Richard Krajicek and Todd Martin. Certainly today's athletic young giants are bigger and stronger on average than players were 20 years ago. With their powerful graphite rackets they have produced an impressive match-winning formula. Yet, wonderful as it was to see Sampras cutting down his boyhood nemesis Michael Chang so impressively on Wednesday – a 6-7 7-6 6-1 6-1 victory of accelerating expertise – there were few rallies to admire. Today's technique is based on pace rather than placement, on power instead of finesse. Quick winners are the order of the day.

None of this would have been possible with the old smaller-headed wooden rackets. Any attempt to hit the ball really hard without perfect stroke production would have led to error and, even if it had gone in, the ball would not have travelled as fast as it does today. In those days there was a premium on skill. The champions of the wooden era hit the ball in the middle of the racket more often than their challengers and could exploit tactical superiority. Strength and fitness alone were no guarantee of success.

Masur, who arrived somewhat fortunately in the semi-finals for the first time (he was 0-5 down in the final set of his fourth round match against fellow Aussie Jamie Morgan), said: "I am not a power tennis player. I don't serve at 125 mph and crack my forehand. I usually have to hit two or three shots to win a point. That is probably because I was brought up playing with a wooden racket. These days some of the guys don't construct points because they don't have to. They have got the ability to virtually win it from anywhere on the court."

It would be interesting to stage a tournament among today's top players with wooden rackets. We might be surprised by the results. I guarantee that we would find it more entertaining.

Cricket/Teresa Mclean

Four favourites in a bright season

I HAVE enjoyed this season's county cricket. The four-day game seems to me to have been a success, producing more close finishes and varied bowling than the three-day game, which had become stale and, all too often, contrived.

In some ways this has been a summer of the unexpected, with regard to both counties and players. I had not guessed that Glamorganshire would end up fighting Worcestershire for second place in the county table. And in picking the four county cricketers whose play I have most enjoyed this summer, I am making up for my lack of perspicacity by leaving out the obvious top performers, such as Graham Gooch and Curtly Ambrose, in favour of four who have surprised as well as delighted.

Surrey's Joseph Benjamin, for instance, has improved beyond recognition, without being overshadowed by Waqar Younis and Martin Bicknell in an exceptionally strong bowling attack. By mixing swingers and cutters in with full length balls he has established his weaponry.

Surrey have just given Benjamin his county cap, which he well deserves. He bowls very fast medium, with unpredictable, sharp bounce. His 62 county wickets so far this season have been a bit expensive, but were often taken when the batsmen were deeply entrenched. He adds a touch of toughness to Surrey's efforts.

Released at the end of 1991 by Warwickshire, after three disappointing years there, he has come into his own at the age of 32, at a county that is inclined to come and go without really getting anywhere. He has learnt to be a cricketing realist.

John Emburey, I am sure, was born a realist. He is a 41-year old perennial from Peckham, proud of having learnt his cricket on the streets and having played it with Middlesex for the past 20 years. Emburey is not the kind of full-flighted, aggressive spinner I most like to watch, but his tireless, rather flat off-spin is economical. It often frustrates batsmen into surrendering their wickets by trying to hit their way out of stagnation.

So far, 223 of his 708 overs have been maidens and he has taken 68 wickets. At the top end of the averages, only Mushtaq Ahmed and Steve Watkin have taken more.

Emburey is not defensive, but he attacks carefully. He has worked out an effective bowling partnership with Philip Tufnell, Middlesex's much younger, more resourceful and more temperamental off-spinner. His batting is better than Tufnell's – most cricketers qualify for that accolade. His 55

Majestic: John Morris

not out in the first innings of the Edgbaston Test was a resolute display of his speciality, sweetly described by Christopher Martin-Jenkins on the radio as "letting the ball hit him on the bat". Once or twice this season for Middlesex it has hit him prodigiously hard, as on the way to his recent 120 against Northamptonshire.

It is always possible that Emburey has one more trick up his sleeve, which makes him a great team asset. Team values tend to be under-rated nowadays, as individual achievement is emphasised and often judged apart from the co-ordinated achievements of the team.

Wicket-keepers are the least prone to this because they are the pivots of all the activities on the field, completing the course of the bowling, preying on the batting and catching the whole fanfare of fielders' throws into the stumps. A good keeper boosts team morale, which is why *Robert "Jack" Russell is so valued at* Gloucester.

Russell has long been a good and cheerful keeper, never tired of trying to improve. He is in the Alan Knott style: slight, bouncy, alert, close to the stumps and at times airborne in the course of duty. He has only ever played county cricket for Gloucestershire, his home county, a striking demonstration of loyalty.

Gloucestershire are in hard times at present but Russell's outstanding quality, as always, is his determination. No-one has ever accused him of being half-hearted. In his last county game, at Taunton, he stumped Adrianus van Troost, Somerset's Dutch speed merchant, for nought, off the young off-spinner Martyn Ball, though Somerset were in the 380s and Gloucestershire were tired.

If Russell was tired, he did not show it. It was one of seven stumpings and 60 catches he had taken since the season began, an impressive tally. I was given the figures from Russell's cricketing diary, in which he records details of every match he plays.

Derbyshire's John Morris, far from keeping a cricketing diary awash with statistics, told me he did not know how many runs he had scored this season (1,439, at an average of 55). He belongs to the more stately school of cricket, remote from figures and fitness regimes, unlikely to drink 20 cups of tea or run six miles a day, as Russell does.

Like many naturally talented batsmen, Morris sometimes plays with an air of taking his triumphs for granted, although they are always powerful. His recent 127 against Surrey, in which he warmed up with a six back over Younis's head and right out of the playing area at Derby, was a savage example of this. Younis was quickly taken off. Morris carried on hitting as though he was enjoying an afternoon off work.

He is a majestic batsman, hooking and driving freely, particularly relishing fast bowling that rushes on to the bat in search of punishment. With batsmen like Morris concentration is liable to lapse when faced with dull or undemanding bowling. He has had some poor games for Derbyshire this summer, but has had some grand ones too and is more consistent than he used to be.

I like Morris's batting because it has a touch of grandeur seldom seen in modern cricket. His fielding is of the sort more often seen in older cricket, before the South Africans brought speed and efficiency to the field in the 1960s. He has improved, but still gives the impression that rather than sprinting to stop the ball, he would do better to let it find rest in his body.

The real devastation will come with bat, not ball, in hand.

Soccer/Chris Matyszczyk

The art of the bribe

"IN Europe you just don't do it very well do you?" said my fat Malay friend, barely suppressing a laugh. "You have to be clever, and your football administrators clearly aren't."

He was referring neither to team selection nor ticket sales. Instead, what is making so many involved in south-east Asian football, so many who *sit up all night to watch* any kind of match beamed from the West, curl up in chuckles, are the match-fixing scandals in Marseille, Warsaw and Tbilisi.

My friend, who has regularly profited from knowing the score of a big game some 24 hours before it kicks off, explained: "First of all, officials cannot be seen to be involved. And the people who always benefit most are the bookies. So you let the bookies *do the work and, if you are* friends with at least one of them, you reap the benefits."

The work, as he so delicately calls bribery, is quite complicated. You do not, explained the rather attractive daughter of a bookie, allow a player to bury money in your in-laws' back garden. This is what Christophe Robert, of Valenciennes widely reported to have done with the Ffr242,000 he allegedly received from the unfortunate Jean-Jacques Eydelie of Marseille. If you can help it, you do not pay cash at all. No one, least of all a footballer, a species not known for intellectual grandeur, should put himself in the position of having to explain a sudden accretion in his bank account.

Instead, a south-east Asian bookie will buy all tickets they know are going to win in the local four-digit lottery – and then give them to the players. The money is therefore legitimately gained.

He will organise the renovation of, or better still, the down payment for, a nice little four-bedroomed house. He will buy the player a car, several overseas holidays or a small yacht. Rolex watches and Bally shoes are prized commodities, particularly when given to each member of a player's vast extended family.

But before he puts his hand in his pocket, the astute bookie will consider very carefully which player or players (or referees) to approach and how the match is to be fixed.

The less sophisticated might expect a lugubrious defender to score an embarrassing own goal or even pass the ball, inadvertently, to an opposing forward. The expert bribee is more inventive. He will fail to cut out a cross. He will find himself subtly out of position. Or, and this is the favourite strategy in south-east Asian football at the moment, he will only play well for one half.

Usually, there are three or four players on the take in a game. They are the most talented on their respective team.

"You get the best striker, the two best defender and the goalkeeper and you've got the game," a Singaporean journalist told me. "You do not contact them directly. Instead you use relatives and girl friends. You then plant runners in the hotel where the players are staying. They are there just to make sure the player knows the bookie is serious. And if a chosen player starts being difficult, you have to make a few threats. Nothing too serious. Just a severe beating, maybe smashing his car up or threatening his family. If a a player succumbs once, he is in the hands of the bookies for good."

Rather like Sunday afternoon golfers, south-east Asian gamblers love to wager on the first-half score and a second-half score separately, and then the match as a whole. This has opened a wonderful new arena for the bookies. For example, if Singapore Rovers are expected to beat Singapore Rangers easily and the bookies have taken a lot of bets at generous odds on a lop-sided half-time score, Rovers might have a terribly unfortunate 45 minutes in front of goal before destroying Rangers in the second half. At slightly less advantageous odds, of course.

According to Peter Velappan, secretary-general of the Asian Football Confederation, some S$200,000 (£80,000) of bookie benefits were available at every match in the South-east Asian Games in June: "The syndicates in Singapore, Kuala Lumpur, Jakarta and Bangkok have combined their resources to make it a professional set-up, a multi-national corporation with no permanent headquarters. I was once quite shocked to receive a report about a youth team, all its members under 15, carting away TVs, video players, radios and stereo sets, after losing 12-0 in an international youth competition.

"I have not come across an FA in this region which has looked this problem squarely in the face. So it is now not surprising that it has spread to parts of South Korea and parts of south China."

Velappan knows how difficult it is to prevent, in spite of the efforts of th Football Association of Singapore, for example, which has employed plain clotheses policemen to investigate suspects and forbids players to use the telephone for the last six hours before a game.

Once bribery becomes an institution, with proof impossible to grasp, it is difficult to prevent. That is the real danger for European football.

FOOD AND DRINK

Grand old men of wine

Jancis Robinson meets two mature but undervalued experts on wine

THE TWO grandest, oldest men of wine prove that drinking fine wine may make you live longer, but is unlikely to make you rich.

Harry Waugh, born 1904, was one of the mould-breaking British wine merchants of the 1950s and 1960s. He helped introduce a little- known wine called Pétrus to Britain, encouraged the entirely new phenomenon of domaine bottling in Burgundy, and was singing the praises of California wine about a decade before anyone else outside the state.

He left Harveys of Bristol in 1966, when it was bought by Showerings, of Babycham fame, but retained his directorship of the Bordeaux first growth Château Latour and a pension which did not take account of either inflation or the fact that he was to become a father, of twins, seven years later.

At Harveys he trained many of the most famously successful men in today's wine trade, including, ironically enough, the chairman of Allied-Lyons which has just sold Latour back into French, determinedly French, hands, thereby leaving the wine trade's most respected figure, a hale, straight-backed 89 year-old, in urgent need of a financial manager. Step up, Mark McCormack

Born in Moscow, three years earlier than Harry Waugh in 1901, André Tchelistcheff is an even more *remarkable fellow. After surviving* severe illness in childhood, and a particularly bloody campaign in the White Russian army in his teens, he *trained in agriculture in* Czechoslovakia and Paris and specialised in wine only at the age of 36, when he was recruited to *impart "Frenchness"*, including the technical probity of Pasteur, to Beaulieu Vineyards in California. He could have gone to China *instead, like his best friend* who became Minister of Agriculture there after Mao.

Instead, this intelligent scientist-*philosopher* has come to be regarded as the father *of modern* California wine. He pioneered cool fermentation, controlling malolactic *fermentation, developed the* anti-frost damage wind machines that are such a visible feature of the Napa Valley to this day, and has been consultant at scores of wineries both in America and Europe.

At 92 he has just completed a six-week tour of European wine-making friends and vineyards, which he describes as "education". This was supposed to be his last *trip to Europe, but his wife*, Dorothy, overheard him volunteering at Burgundy's Domaine de la Romanée-Conti to take up an *apprenticeship next year*.

Only someone with near divine knowledge would claim such ignorance. With the look (including hairstyle) and stature of an impish prep school boy, André Tchelistcheff 's understanding of the wine world is still acute, well-informed, and often unexpected. In a soft, still heavily accented voice, he *presents perhaps the only analysis* of the wine world that has ever been based on such a long history and such a wide geographical purview.

Acknowledging the demands of the technically curious but impatient modern wine consumer, he observes, for example, that: "Wines are naked at the moment. And this is a good thing because it is good to show one's deficencies. Little by little winemakers will learn what the consumer wants of his wines and will begin to reclothe them. Pumping over the grape must is the key." *André Tchelistcheff* believes that wines will never again be designed expressly for long ageing in bottle.

He is also blunt about the phylloxera vine pest currently destroying a good part of the northern California vineyard: "It's the grape growers' fault. They chose to plant a rootstock they knew did not have good phylloxera resistance."

His palate is as keen as ever, although *he drinks* sparingly, sparing his frail knees in particular. He must have been one of the few visitors to have done a three-day stint at this year's Vinexpo, Bordeaux's notoriously exhausting international wine exhibition, and certainly the only nonogenarian to *walk the full length of the exhibition* hall. Dorothy, whose arm enabled the feat, heard many a hissed "that's André Tchelistcheff" as they made their progress, presumably from one grandson of an old associate to the next.

One of the consultancies which has thrilled him most has been with Château Ste Michelle, of Washington state, where he believes there may be greater *potential* than California. He is still quoted, admired, and decorated amid much ballyhoo when it suits the decorators (although as far as *he is concerned, it is presumably* difficult to better the Chevalier du Mérite Agricole awarded by the French as early as 1954 for his part *in Frenchifying the American wine* industry).

Considering his input to the world's ritziest wine industry, André Tchelistcheff lives modestly, has never had a wine cellar of his own, and seems to have encountered more difficulties during his six-week tour of Europe than one would think fit for an eminent 92-year-old.

One blow was a letter from *Lodovico Antinori, of Ornellaia in* Tuscany, maintaining that he could no longer afford the services of the consultant whose name appears in *so much of his promotional literature*.

Then there was the fact that they spent their first night in Britain last month in the newly-opened Ibis hotel at Heathrow. We should have organised a troika with outriders and given them, and Harry Waugh and his wife, the run of the grand new Vintners' Place development overlooking the Thames.

André Tchelistcheff, the former Russian aristocrat who is widely regarded as the father of the California wine industry, with Dorothy, his wife

Dining on disappointment

Nicholas Lander on why meals in hotel dining rooms may fail to please

THE NEWS that Bruno Loubet, the talented chef at the *Four Seasons Hotel*, Hyde Park, London is to leave at the end of this month only confirmed one of the London restaurant trade's most *widespread* rumours.

Loubet, it is now suggested, will be opening a large brasserie somewhere *in the West End early next year*. This follows a fashion set by some of the top chefs and restaurateurs in Paris who are fighting the recession with *lower-priced* restaurants: two-star Michelin chef Michel Rostang owns Bistro d' à Côté, his counterpart, Jacques Cagna, owns Rôtisserie d'en Face *while* Claude Terrail, proprietor of the three-star Tour d'Argent, presides over La Rôtisserie du Beaujolais.

But Loubet's departure from the world of Michelin-starred restaurants and the grand hotel dining room, however temporary, may be a result of something more significant.

Loubet was brought to London four years ago by the hotel's general manager, Ramon Pajares, in what was considered a stroke of entrepreneurial genius. In the mid-1980s hotels and restaurants were flourishing and hotel concierges were often pleading for restaurant tables on their guests' *behalf. The solution seemed to* be to upgrade hotel restaurants, in many cases neglected for the past 20 years, and entice hotel guests to eat in.

New chefs were hired, small fortunes were spent on kitchen and restaurant redesign and hundreds of press releases were despatched. I believed it would be successful: the hotels seemed to have found a winning formula and could, given the income generated by their rooms and banqueting operations, more than match restaurants on price.

However, the whole venture has proved a costly mistake. They were not helped by the timing. Just as the enterprise was given its final polish the Gulf War broke out, business and tourist travel declined and recession set in.

Also with one or two exceptions, hotel dining rooms have failed to deliver. The vacant tables at lunch and dinner have also reflected a poor product mix, poor marketing and an inadequate understanding of what the general public is looking for. Over the last six months many restaurants have shown that careful pricing can fill their tables and leave the hotel dining rooms empty.

I have eaten in and and been disappointed by a depressingly long list of hotel dining rooms this year: The Connaught, The Lanesborough, The Grosvenor House, The Langham Hilton, The Dorchester, and The Halkin.

Criticisms include: a main course risotto that was served lukewarm, an unexciting series of dishes that made up a meal that cost £210 for three, a Chinese meal that looked good but tasted bland and another that, mistakenly, masked the flavour of ingredients with cream. One hotel dining room was chilly, even in late June, and our conversation was hampered by a perpetual piano player and a mini-waterfall.

There are some standard reasons given for these disappointments: the manager of a 300-bedroom hotel does not necessarily have the requisite skills to run a 50-seater restaurant; hotel dining rooms, often serving four different meals a day, are nearly always impersonal, particularly if they do not have a separate entrance, and therefore identity, from the hotel; and restaurant wine lists can be outrageously expensive.

London's hotel managers have courted big name chefs but neglected *to staff the front-of-house* with people of the same calibre or personality. They have failed to promote enough women to positions of importance in their *dining rooms, so perpetuating* an often supercilious attitude, particularly towards the female diner.

Their biggest omission has been in marketing, in spite of the constant stream of press releases and invitations. Four years ago, instead of joining to promote eating in London's hotel dining rooms, the hotels decided to fight each other as well as the restaurants. There was no generic advertising or marketing campaign, although the funds must surely have been available. A few hotels did create their own dining card with discounts for frequent diners but they never launched a "hotel dine around card" that could have tempted non-residents to cross the lobby.

London's hotel managers have let slip a golden opportunity. The dining rooms of our big hotels should be a shop window for the hotels themselves and stiff competition for the best of our restaurants. But at the moment there is no contest.

Appetisers

Price falls

A SHARE reduction in the price of grapes for the coming vintage, agreed by Champagne merchants and growers, reflects their continuing stock and sales problems. Prices are from Ffr24 (£2.73) a kilo for the top districts on the Montagne de Reims and the Côte des Blancs, to Ffr20.5 and from Ffr20 to Ffr16.4 in the lesser districts in the Marn and Aube.

Moreover the maximum permitted yield of grapes per hectare for appellation champagne has been cut to 10,400 kilos, with 2,000 kilos of these blocked as still wine until lowered stock levels permit their second, sparkling fermentation. Over-stocked merchants were hoping for a significantly lower maximum yield per ha, so the agreed figure favours growers who make their own champagne. But the lower price will make possible lower-cost wines.

Edmund Penning-Rowsell.

□ □ □

Following in the footsteps of rivals Marks & Spencer, Waitrose and Sainsbury's, Tesco is now offering wine by mail order, at prices that represent a discount of at least five per cent on shelf prices. Nine sensible cases have been put together, at £33 to £54 a dozen. Delivery of one case costs £3.50, but is free for two cases to one address. More information, not from Tesco stores but on 091-416-5138 weekdays 9am to 9pm.

Jancis Robinson

□ □ □

It is also well worth ordering two cases from the Bin End Sale of Justerini & Brooks (071-493 8721 in London and 031-226 4202 in Edinburgh). They charge £9 delivery of a single case but nothing at all for delivering two, and the sale, which closes on October 15, is of unsplit cases only. By no means everything is a bargain, but there are useful halves. *JR*

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Anyone who was interested in buying bonds in the new Arran distillers, as reported in the last *Weekend FT*, might be interested to learn that the quantities of whisky offered for £450 are 10 cases of Lochranza blended whisky in 1998 and 10 cases of the real thing – Arran malt – in 2001. My apologies for suggesting that only one case of each was offered. Also British Telecom has changed the company's telephone and fax numbers. These are now 0290-552282 and 0290-550177 respectively.

Giles MacDonogh

Cookery/**Philippa Davenport**

Marriage made in Scotland

THE AULD alliance may *still* be going strong but Scotland is forging new bonds with Spain. This gastronomic union was celebrated recently with a banquet at Loch Fyne Oyster Bar, near Cairndow in Argyll.

The *Spaniards* brought nearly two dozen fine sherries, ranging from Sanlucar manzanilla, with its salty fresh tang, to the super-rich *syrup-of-figs* slurp of a well aged Pedro Ximenez.

The Scottish team produced *a magnificent array of fish and* shellfish (including velvet crabs, creel-caught langoustines, oysters, queen scallops, *eel, fresh*, hot- and cold-smoked salmon, and herrings marinated in various ways), smoked and marinated venison, *a few cheeses and desserts*.

The idea was that the guests, a handful of food and wine *writers, should act as marriage* brokers trying to forge the best partnerships between the foods and the wines.

The party assembled the evening before the banquet was due to take place, meeting and staying at Ardkinglas, *John Noble's imposing Lorimer* pile on the fringes of Loch Fyne. I had not been there since my teens, but nothing seemed to have changed.

We arrived in typically Scottish weather: a fine drizzle which later gave way to a watery sun veiled by gauzy mist. The welcome was warm and generous with massive log fires and piping hot bath water the colour of whisky.

And the mood was jolly as we sat down to the inaugural dinner. An auspicious start to the feastings, this included lobster, three-year-old wether mutton from the estate and several bottles of Cune Rioja Imperial Gran Riserva 1975. Do not look for this vintage in the shops: we drank the last of it.

If, however, you press me to tell you what I enjoyed most, it was breakfast. This was a full-scale affair, not the paltry sassernach offering of cornflakes and toast.

Before we retired for the night we had each been given a breakfast menu. "Please tick those items you would like: *porridge, fresh grapefruit juice*, fresh orange juice, Loch Fyne kippers, Finnan haddock, eggs (poached, scrambled, fried or *boiled), black pudding*, Ayrshire bacon, pork sausage, grilled tomato, mushrooms, home-made bread and girdle scones."

Most of us could not resist ticking almost all of these items. And we were right to. The citrus juice, which was freshly squeezed by the master of the house himself in the pantry alongside the dining room, came by the jugful.

The girdle scones and bread lived up to the Scottish reputation for fine baking. The bacon was frazzled and flavoursome, *not weeping pathetically. The* kippers were excellent and the Finnan haddock, which I watched our host and his niece poach in milk, was the best I have ever eaten.

FINNAN HADDOCK MOUSSE

(serves 8)

Three fish will yield more flesh than is needed for this recipe. Use the surplus, depending on how much of it there is, to make a creamy fish soup, omelette Arnold Bennett or kedgeree.

If you are nimble-fingered and want to dramatise the look *of the mousse*, you can decorate the sides of it, after unmoulding, with a "fence" of lightly steamed and cooled *French beans, sticking them* into place with a light smear of mayonnaise or fromage frais. A shallow bowl with sloping *sides* makes a better mould than a straight sided souffle dish for this purpose.

3 finnan haddocks; 1¼ pt *creamy milk; 1 carrot; 1 shal*lot; 2 bay leaves; 1½ oz butter; 1½ oz plain flour; 3 tables-

poons manzanilla or fino sherry; approximately 1 tablespoon gelatine powder (see method); 2½-3 fl oz single cream; 2 egg whites; 6 black peppercorns and a little cayenne pepper.

Choose a pan that will hold the fish snugly. Put into it the milk, chopped shallot, carrot, bay leaves and peppercorns and bring slowly to scalding point. Add the fish, pushing it down into the liquid, and top up if necessary with just enough water to cover the fish. Bring back to simmering point, switch off the heat, cover the pan and leave for 10 minutes.

Strain the liquid from the smoked haddock and use ¾ pt of it, together with the butter and flour, to make a fishy flavoured bechamel sauce. Add the sherry and 1 lb of the *skinned and flaked haddock*. Simmer, uncovered, over a heat-diffuser for 5-10 minutes, stirring occasionally.

*Meanwhile soak then dis*solve in 3-4 tablespoons of the leftover fishy milk some gelatine (1¼ tablespoons of gelatine if the mousse is to be unmoulded; less if the mousse is to be served in the dish in which it is set).

Away from the hob, stir the melted gelatine thoroughly into the fish. Add the cream and season with cayenne, black pepper and salt to taste. Turn the mixture into a large bowl and set it aside until cold and beginning to thicken. Then *whisk the egg whites, fold* them into the mousse and spoon it into a souffle dish or bowl or individual ramekins. Cover and chill until set.

■ From page 1

Arrogance and paranoia

Monetary disagreements between Britain and France reflect very different experiences of inflation

Yet there is a difference between the two countries which partly reflects the way the market-versus-mercantilism debate took place mainly at national rather than international level, and had varying outcomes at different times. One example, the French physiocrats who believed that all wealth derived ultimately from the land, attacked the industrial interventionism pioneered by Louis XIV's finance minister Colbert.

It was they who coined the phrase *laisser faire*. But the more liberal aspects of their *theory failed* to take deeper root in France, not least because the physiocrats underestimated the productive capacity of industry.

But the more important difference probably *lies in the* respective political structures. Interventionism sits easily with strong government; and in *the words of the* historian Richard Cobb: "French history has been dominated by the violence of government . . ." In contrast, the *English* inheritance from the Glorious Revolution was not only a parliamentary system that incorporated a *fair number of* checks and balances; the interests of private creditors tended to be given predominance over those of the government debtor, at least until the 20th century. Discipline was reinforced for much of that time by adherence to the gold standard.

Power in France, on the *other* hand, remained tilted in favour of high-spending governments, and against the interests of creditors, for much longer. Hence *the admiration* of 18th and 19th century French historians for the tidiness of British public finances.

All that changed in the 20th century when public spending throughout the developed *world started its inexorable* rise as a percentage of GNP. And the recent tragedy of Anglo-French monetary relations has been that the swing of the pendulum in fashion from fixed to floating exchange rates and back again has rarely coincided in the two countries.

In the 1920s, when the Treasury under Churchill took sterling back to the pre-war parity against gold, the French were unable to follow suit because the franc had fallen too low. Between 1924 and 1926 their currency was under constant speculative attack from German and Austrian banks.

Just as Louis XIV's government banished Law for his soft money views, the government of *Raymond Poincaré* expelled foreigners who took advantage of the franc's undervaluation.

Yet by the time of the 1929 Crash, when Britain and Germany were already in depression, the victim of the currency speculators, France, was enjoying prosperity – derived largely from the undervaluation of the franc by those same, obnoxious speculators.

In the 1930s, the experience was reversed. When the British came off gold in 1931 France was back in one of its strong currency phases. Indeed, its manic accumulation of gold had helped precipitate the global liquidity crisis of 1931; and France compounded its problems through dogged adherence to another precursor of the ERM, the Gold Bloc, the members of which included – *shades of the earlier Latin* union – Belgium, the Netherlands, Switzerland and Italy. It *took 4½ years of political* instability and savage deflation before France devalued under Léon Blum's Popular Front. Britain, meantime, was enjoying an extended post-devaluation bout of economic growth.

Yet the French readiness to go along with fixed exchange rates is invariably coloured by wider perceptions of national interest. In the post-war period General de Gaulle, *an archetypal* bullionist, complained vociferously about the fault lines in the Bretton Woods fixed exchange rate agreement, an essentially Anglo-Saxon creation. His government helped hasten its demise by selling dollars for gold in an act of monetary aggression that supported de Gaulle's anti-American foreign policy stance.

Not to be outdone, the British were soon to moan about the fault lines in the Franco-German inspired ERM, which even the French obsession with currency stability has not been able to save. Its de facto *disintegration* now threatens another idealistic attempt at a European monetary union. Yet by loosening the ERM bonds, speculation may yet prove to have saved continental Europe from another savage deflation.

The monetary disagreements *between Britain and France*, which reflect very different experiences of inflation both in the 20th century and before, are thus more subtle than they appear at first sight. How, then, are we to explain the present French reluctance to take advantage of the new freedom to cut interest rates after the ERM fiasco; the apparent preference for the the hair-*shirt of the mid-1930s to the* prosperity of the late 1920s?

Perhaps the best rationalisation is provided by the late Fred *Hirsch*: In his book *Money International* he remarked of France's deflationary enthusiasm in the Depression: "France was genuine in its financial conservatism. Its very lapses in periods of inflation and external depreciation made it the more determined to make amends when it could – to store up, so to say, a pile of financial virtue as a reserve, both physical and spiritual, against the next fall from monetary grace."

That, surely, hits the bull's eye – and with much less arrogance than Keynes.

The romantic and monastic

***Avril Groom** advises on clothes for autumn*

THE SHOWS have long since been and gone, orders placed and clothes safely delivered to the stores. For autumn, it is all over, bar the shopping, which is is the most nerve-racking part. Will people want to buy what the stores decree is The Look?

In March, straight after the autumn shows, we asked a selection of the country's top buyers to give their gut reactions to the key new styles for every woman's autumn wardrobe. Now that the season has arrived we asked them again, in the cold light of their buying budgets, to consider how "new" looking the average shopper will want to be.

Their initial hunches were good and the majority of their shop rails are now filled with the themes outlined in spring. The mood falls between a gentle historical romance and an unadorned monastic simplicity.

It is, of course, in the buyers' interests to persuade us that our wardrobes need a twice-yearly overhaul. And when fashion undergoes a substantial shift – in this case from brash tailoring to self-effacing softness – some new pieces are unquestionably necessary.

Most of us cannot look as the fashion magazines would have us, because their featured outfits are new every time, whereas our wardrobes carry the fashion equivalent to our emotional baggage – clothes that, for reasons of economy or affection, we will continue to wear whatever the blandishments of the much-hyped latest look. But one buyer's assertion that "the secret this winter is knowing exactly how to mix clothes in an unusual and individual way" is good news.

Make-up:
JULIE THOMAS
for Sensiq
Pictures:
JOHN SWANNELL

A clever assistant, could show you how to make that individual mix by linking new pieces to old and by using old items in new ways. Several of this autumn's staples, like a white shirt, skinny rib sweaters, a swingy long skirt, waistcoats and even a big coat, are probably already in your wardrobe, languishing unnoticed. A store's art lies in encouraging you to look at them anew and persuading you of the need for the essentials to update all you already own.

For example, the dandy look is an early autumn favourite that acts as a bridge between familiar tailoring and the new fluidity. An integral part of it is the long white shirt which, to look new, is worn with tails, collar and undone cuffs flamboyantly on show.

The shirt also works with fine knits that, in new proportions of short and long, are the easiest way to achieve soft layers.

The shirt now goes under a skinny, cropped sweater instead of over. On top goes another autumn essential which, in some version, you probably already have – the waistcoat. In this case the trendy floor-length knitted gilet with short brocade or velvet ones are part of the dandy look.

Layered with chunky wool or tweed, they contribute to the unexpected texture-mix, revolving round velvet, which is the buyers' hot tip for midwinter.

Day time velvet divides the buyers. Some see it as too much identified with evening; others feel that, contrasted with rugged tweed, wool and even leather it makes sense, but cotton velvet is better for day than sheeny, soft silk velvet. The velvet jacket is, in many eyes, essential this autumn.

The favoured silhouette is gently A-line, narrow-shouldered and flaring to the hem, even for jackets which, despite gilets and long dresses, are still the working woman's mainstay. What to put with them?

Wide trousers or a long, softly flaring skirt are the buyers' choices, while last year's jodhpurs are still good for dandies. Over the layers goes the contrast of a big coat – fitted, flared and military-style or plain, voluminous and often not buttoned at all.

Lastly there are the essential accessories which can be the cheapest way to update. Lace-up boots rise higher up your leg the more fashion forward you are. Other trappings are floppy velvet hats or felt toppers, velvet scarves, jet beads, chunky amber, crosses of all kinds and a bag much softer than the ubiquitous gilt-chained square.

We asked each of our consultant buyers to summarise their favourite look and suggest one essential autumn purchase:

■ **Josephine Turner**, A la Mode, London SW1: "The look is long, light, body-skimming layers in mixed velvet, cashmere, chiffon and suede – not traditional daywear fabrics but everything should double for evening. Best buy is a huge coat, to keep you warm and to hide those unusual fabrics while you're out".

■ **Francoise Tessier**, Browns, London W1: "Layering and unusual fabric combinations are my choice. Soft, long, flaring knits under a gilet or jacket with a similar shape are easy and flattering. Fine or rib-knitted pieces are essentials".

■ **Joseph Ettedgui**, Joseph shops: "The classics are a soft cardigan, a white shirt, wide and narrow pants, a big coat. Then mix in the fashion pieces like a dandy jacket so the textures are interesting. Velvet is great but a long velvet dress should only be for evening. One essential is soft, loose trousers, in black or deep brown".

■ **Amanda Verdan**, Harvey Nichols, London SW1: "The look is much softer, deconstructed and very plain. Dandy velvet or jewellery in amber, silver or jet add the fun. The best buy jacket is narrow-shouldered, long and gently wider at the hem."

■ **Rita Britton**, Pollyanna, Barnsley: "Layers look simple but are easy to get wrong. They should be light, fine and fluid, especially the bottom half, and mix the neutrals – black, brown and grey – together. The contrast is in chunky, emphatic shoes. One buy is boots, lace-up ankle or biker style".

■ **Anne Pitcher**, Harrods, London SW1: "The essential pieces are velvet, knits and anything long and fluid. This can be tough for business-wear but knits under soft cardigans work well. Velvet for day is very new, mixed with tweed. A velvet shirt is extremely versatile".

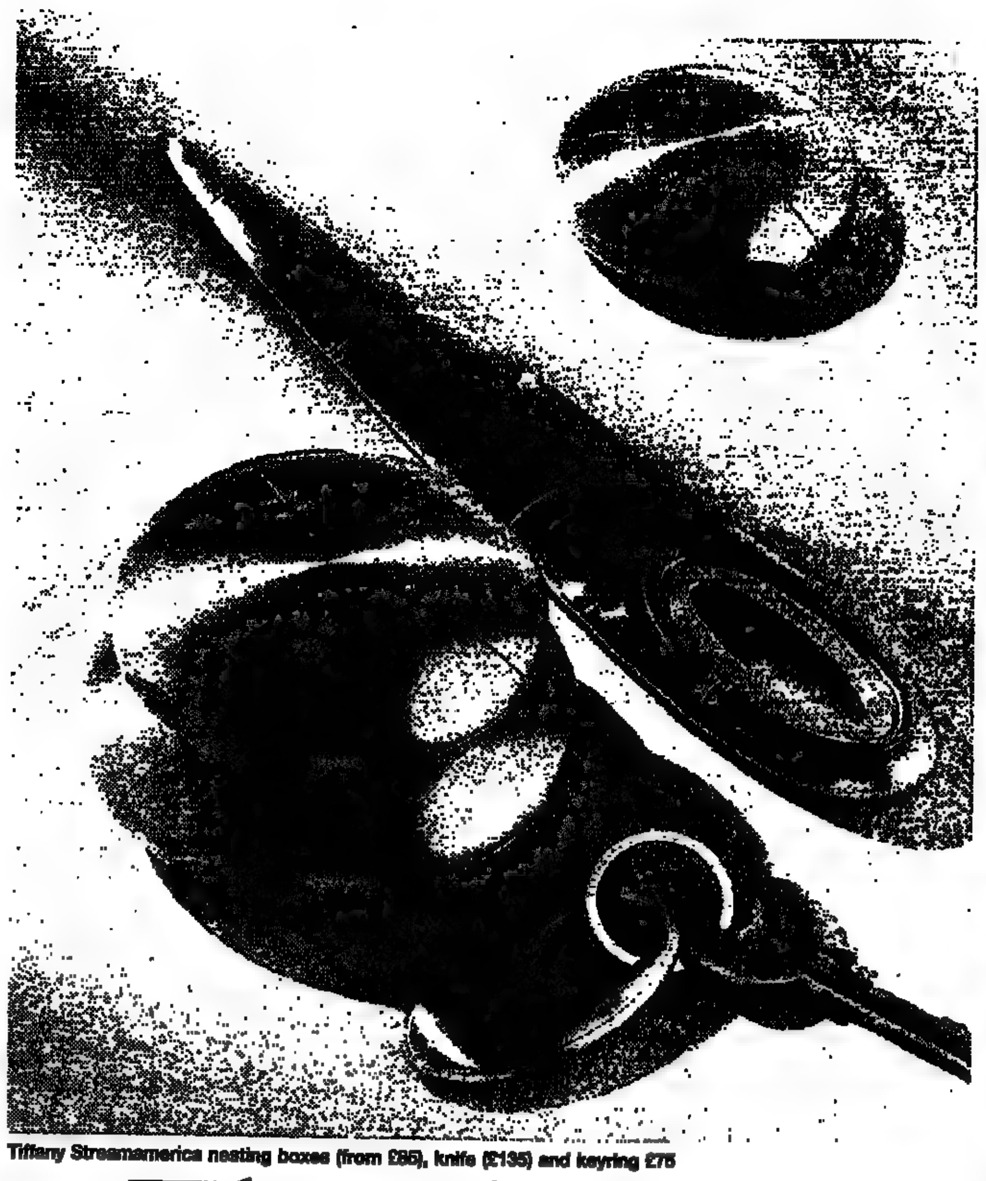
■ **Lucille Lewin**, Whistles shops: "I am mad about velvet for day, mixed as outrageously as you want. Your first buy should be a white shirt if you don't own one and then a velvet jacket. Selina Blow's is definitive – expensive but you can wear it with anything".

■ **Cathy Harris**, Fenwick, London W1: "It is easy to update inexpensively. Waistcoats layered long over short in different fabrics are good for mixed textures. A velvet scarf, long beads and a cross, a white shirt and lace-up boots are good buys".

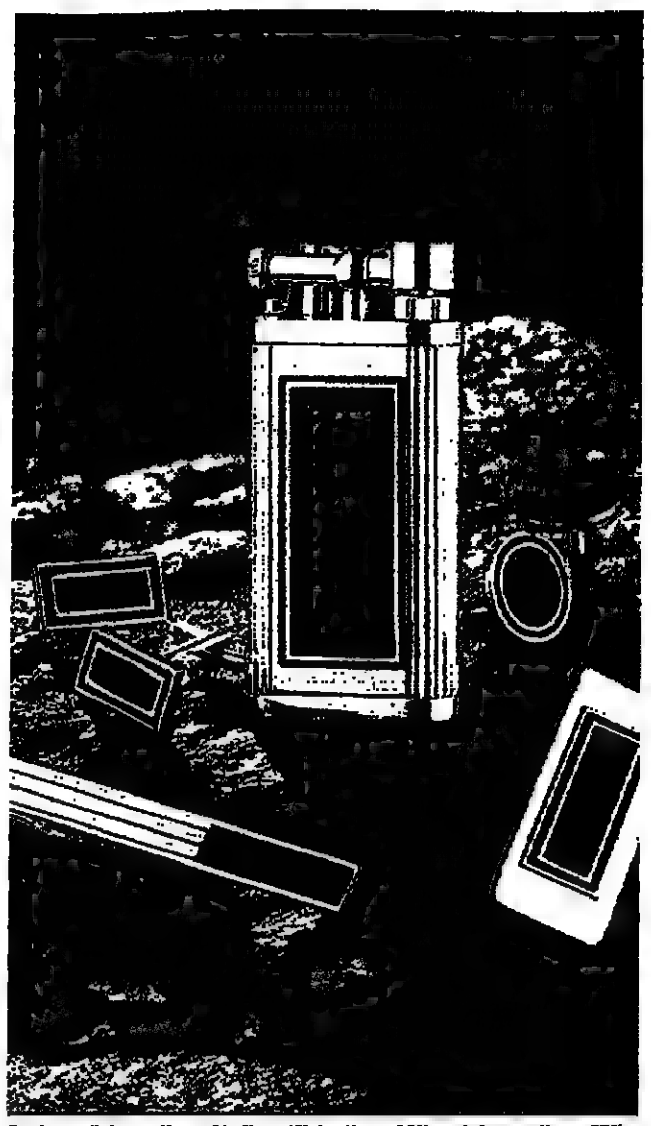
Rugged Velvet: cotton velvet jacket, £149, wool waistcoat, £59 and matching trousers, £70, all from Whistles, Harrods, Fenwick and Selfridges, Oxford Street, W1. Wool sweater, £135 from Joseph

The flared dress: wool/angora dress, £125, wool gauze wrap blouse, £205, both from Betty Jackson, Brompton Road, SW3, Fenwick, New Bond Street, W1, Harrods, Kendals of Manchester, Frasers of Glasgow and Liberty of Exeter. Hats by Graham Smith for Kangol, £59, bangles £29.95 and £24.95, all from Harvey Nichols. Wood necklace, £14.95 from Fenwick. Elasticated boots, £125 from Russell and Bromley

The big coat: Wool coat by W, £299 from Wallis. Wool tweed jacket and velvet trousers, from a selection at Ralph Lauren, New Bond Street, W1 and Harvey Nichols.
Wool sweater by Prada, £199 from A la Mode. Velvet skirt, £75 from Georgina von Etzdorf, Sloane Street, SW1 and Burlington Arcade, W1, Harvey Nichols, Liberty, Regent Street, W1, Troon of Cambridge and Richard Creme of Manchester.
Boots, £115 from Fratelli Rossetti, Old Bond Street, W1 and Sloane Street, SW1. Bag, £49.95 from Fenwick



Tiffany Streamamerica nesting boxes (from £85), knife (£135) and keyring £75



Sunburst lighters (from £875), cufflinks (from £58) and tiebars (from £50)

Also from Streamamerica: small pocket knife,lighter and ashtray

The simple bare accessories of life . . .

The eternal question: what to buy the man who has everything. ***Paul Keers*** *has a few tips for those with cash to spare*

MEN'S accessories are big business. They are landmark purchases, bought to commemorate achievements and anniversaries, when people are happy to pay a little more for a memorable item.

Essentially, they are the male equivalent of jewellery; expensive bits of decorative metal. But unlike jewellery, they have a function, which excuses their presence on an executive desk-top or in a trouser pocket.

Many, of course, are bought by women, as gifts for those men who have everything. That is why accessories come in matching ranges; one successful gift can then be followed by a succession of coordinating items, in what one marketing man describes as "executive desk-dressing".

But from lighters to blotters, keyrings to penknives, most accessories are inherently nostalgic. They evoke an image of a traditional man.

No-one has yet begum to market silver-plated computer accessories, or designer car alarm keyrings; instead, the functions of men's accessory ranges are locked in a bygone era. And so, manufacturers produce ashtrays for a generation of men who no longer smoke; blotters and inkwells for executives who only work on screens; desk-top lighters for smoke-free offices; and tie-tacks and cufflinks for men who work in polo shirts.

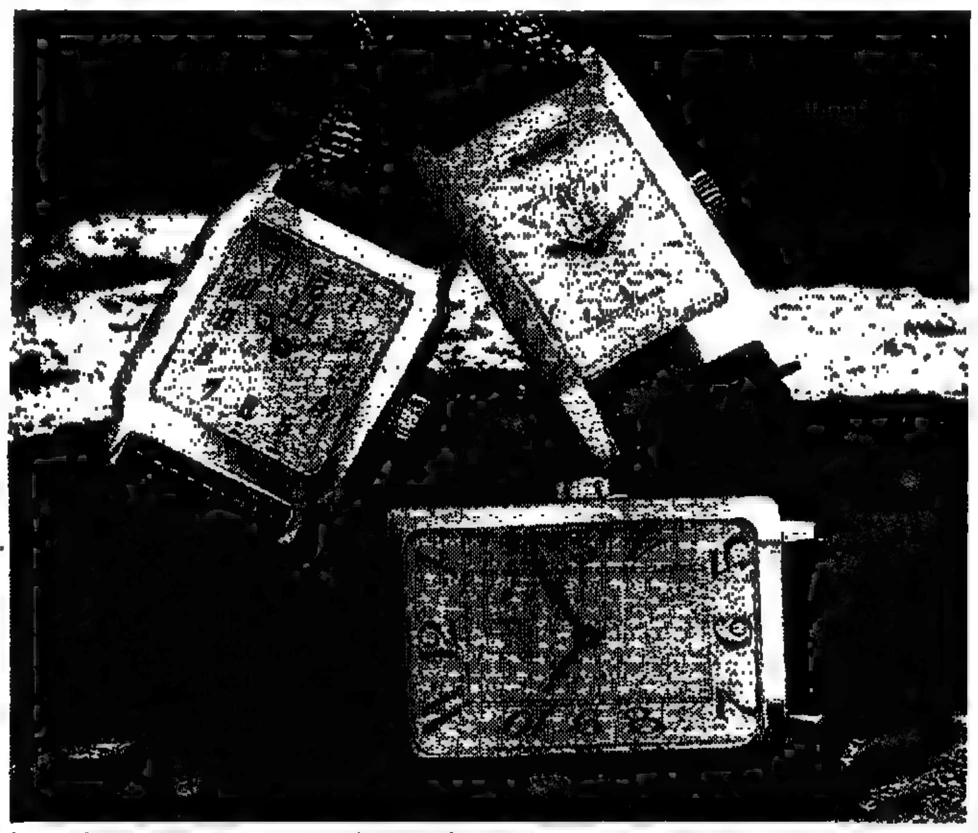
Yet in these times of upheaval, perhaps nostalgia, with its suggestion of permanence, is what men are seeking. As Alan Duddle, Director of Merchandising at Dunhill, explains it: "In buying a brand new product, in a contemporary design, men are committing themselves to the unknown. Whereas if they buy a nostalgic design, they are buying something which already has longevity and credibility."

The newest accessory ranges for men seem to acknowledge this, and look backwards in their form as well as their function. The results are personal accessories designed to offer the reassurance of the past to the executive who feels unsettled in the present.

Later this month, Tiffany is erdorsing this trend, with its first ever line of men's accessories. The range extends from lighter to letter opener, from desk-top ashtray and picture frame to keyring, money clip and cufflinks. Over two dozen items for men, and all in a single style; not the usual contemporary Tiffany look, but a design drawn from the streamline movement of the 1930s.

Called Streamerica, the accessories echo the aerodynamic lines of the locomotives, aircraft, dirigibles and cruise ships of the period. Each item has the curved lines, precise seams and rivets in miniature which were the hallmarks of streamlining.

To reflect the style, the range has been made, not in silver but, for the first time at Tiffany's, in stainless steel.



Inspired by Alfred Dunhill designs from the 1930s, the Steel Centenary Range has three elegant styles

"Stainless steel is rarely treated as a precious metal, and given this quality of metalwork," explains John Loring, Tiffany's director of design. "Steel is not the same price as silver, but to do your best with it is even more labour intensive than working with silver or gold. To properly mill and finish it is a real labour of love."

The Streamerica items are made with a precision and weight which makes them inherently masculine, in spite of a smooth, sensuous feel.

The range is expensive because of the labour involved; a small pocket knife is £100, an ashtray £205.

But, because the items are in stainless steel, they seem much more appropriate for use today than ostentatious equivalents in precious metal. "It goes along with our self-imposed sumptuary laws," agrees Loring. "It affords the possibility of showing off craftsmanship, rather than expenditure on raw materials."

It seems only right that the range is produced by a company which has a reputation underlining the similarity between men's accessories and women's jewellery. Unlike jewellery, of course, men's accessories do have a veneer of usefulness. But in many cases, it is only a veneer. Is there a male executive senior enough to merit a £135 Tiffany letter-opener?

Tiffany is not the only company to be looking to the past in order to appeal to the modern man. Dunhill's next collection is also based around a 1930s theme. Dunhill maintains a small archive museum, which tracked down dozens of historic items for the company.

"Our centenary forced us to look at some of our older products," explains the company. "We realised that, against a background of social and political upheaval, there was something very comfortable in nostalgia. In an unpredictable world, it's reassuring to own something which reflects a time past when things were more comfortable."

So Dunhill has revived ranges of silver flasks, cigar cases, pocket knives and lighters all in designs, and bearing a large hallmark, as featured in their pre-1925 items. There are Sunburst lighters, cufflinks, money- and tie-clips, in silver decorated with boldly-coloured enamel; again, the lighters use a 1930s design.

In contrast to brash 'n' flash modern wristwatches that used to typify Dunhill style, there is a range, the Steel Centenary Collection, directly inspired by Alfred Dunhill timepieces of the 1930s. These are elegant, oblong watches, with traditional mechanical movements and blued hands, offering all the design appeal of the past but with the production values of the present. At around £500, their price is far lower than their precious metal or, indeed, genuine antique counterparts.

"These are progressive, comfortable, up-to-date products," says Dunhill, "but they reflect the past."

That may also be the reason behind the current success of Oris watches. This small Swiss company, started in 1904, refused to switch to the quartz technology which transformed the wristwatch market. But, instead of moving into the four-figure luxury market, they have kept their place as mid-market mechanical wristwatches (£175 to around £600). And along with the nostalgic sound of ticking, they have also retained the idiosyncratic styling of watches from the middle of the century.

To most thirtysomething men, these look like the watches their fathers used to wear. Some models even boast the Oris Big Crown, an over-sized winder designed so that second world war pilots could adjust their watches without removing their gloves. Sold in fashionable outlets, such as The Watch Gallery (Jermyn Street and Sloane Street), they allow modern men to feel just like their fathers, but as if an inherited watch came along with a modern service guarantee.

Given the upheavals in design over the past five years or so, many men would now prefer to mark significant occasions with items whose style has stood the test of time. In both their personal and their professional lives, they want to feel linked to a stable past.

Clearly, several big companies feel that that might be described as a fact after the accessory.

Barneys moves up-town

ONE OF the most seductive places to shop in New York is Barneys, the sole surviving downtown department store on the cross between 7th Avenue and 17th Street. Barneys is a bastion of contemporary classic fashion in Manhattan with its compelling combination of understated elegance and downtown street chic. Its only snag has been a lonely location in Chelsea, away from other stores, turning a trip to Barneys into a special trek.

But this week Barneys moved to a more accessible address in the heart of the uptown shopping scene, opening a new store at 660 Madison Avenue – a stone's throw away from its old rivals, Bergdorf Goodman, Saks Fifth Avenue, Henri Bendel and Bloomingdales.

The new Barneys, which cost \$100m (£66m) to build with its eight floors and three restaurants, is the first store built from scratch in Manhattan for 65 years. It is the biggest gamble taken by the Pressmans, the family behind Barneys, since 1923 when the original store was founded. Barney Pressman raised \$500 pawning his wife's engagement ring and put the money into opening the down-town store.

Barneys began in the bargain business. "We buy Bankrupt, Auction Stocks, Showroom Samples of Standard Makes! No Junk!" was an early advertising slogan. But when Fred Pressman, Barneys' son, took over after the second world war he dropped the discount trade and established Barneys as *the* New York store for mens' suits.

It was not until the late 1970s that Barneys ventured into women's wear when Gene Pressman – Fred's son who now runs the business with his brother, Bob – pestered his father into letting him open a small women's shop.

Barneys still offers the biggest and, probably, the best selection of men's suits, shirts and socks in Manhattan, but it has become the staple source of clothes for the city's hipper career women with labels such as Jil Sander, Prada and Giorgio Armani.

Women's wear was the catalyst for the move uptown. The Pressmans, who have forged a financial partnership with Isetan, the Japanese retail group, realised that if Barneys was to become a serious player in women's fashion it had to have a prime site.

Barneys' new neighbours are not amused. A three-year struggle to build the new store was coloured by a behind-the-scenes battle as the Pressmans' uptown rivals tried to 'persuade' their big designers not to sell to the new store.

So what have the Pressmans put in their new store? Jil Sander, Prada and Armani are on the "classic" third floor with Comme des Garçons and Dolce & Gabbana on the "avant garde" fourth. There is also lots of Barneys' own-label merchandise, a hair salon, a spa and, a sop to the latest New York female fitness craze, a boxing ring.

The store opened to the public on Wednesday. But the war is not over. The Pressmans next battleground will be Beverly Hills, where another Barneys is scheduled to open next spring.

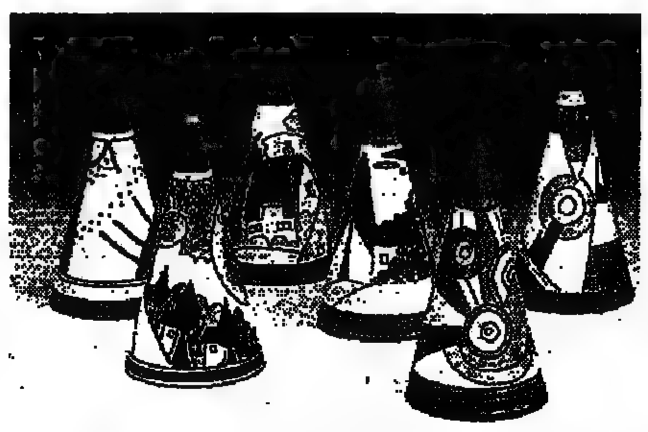
Alice Rawsthorn

Clarice Cliff revisited

FANS OF the work of Clarice Cliff will recognise the image pictured here instantly. Of all the designers associated with pottery her hand-writing is perhaps the most distinctive.

She became hugely influential in the Art Deco period – even those who have never been collectors will recognise the bright colours and bold Art Deco lines which are her hallmark.

Today her ceramics are keenly collected all over the world and fetch high prices in the world's auction rooms – all of which explains Wedgwood's decision to reintroduce 17 pieces all redolent of the high period of Clarice Cliff's work.



All follow original Clarice Cliff shapes but it has not always been possible to use exactly the same colours. Nevertheless, all faithfully capture the vitality and boldness so typical of design in the pre-war jazz age. All the pieces are hand-painted using the same techniques that she nurtured among her team of young painters, the "Bizarre girls" (so-called because the bold range that brought her her most lasting renown was called Bizarre).

All 17 pieces are being issued in numbered, limited editions – mostly of 250 each – and prices range from £150 for the Football vase (from a design originally produced in 1929 and 1930) and a wall plaque (originally produced in 1932 and 1933) to £250 for a Prunus jar, dating from 1930/31. The famous Yo Yo vases are £225 each while the conical sugar shakers pictured above (in an edition of 500 each) are £85.

All are on sale now in leading Waterford/Wedgwood rooms.

Lucia van der Post

PROPERTY

Help yourself to a sale

*Few houses sell themselves; most need preparation by the vendor before the buyers arrive. **Gerald Cadogan** tells how to go about it*

THERE ARE people who continue to believe their houses will sell themselves. It is, of course, not that simple. But some close attention to the state of the property can make for an easier – and more profitable – sale.

Good houses, priced realistically, often sell quickly although they are still unlikely to match their value of early 1989 or mirror the booming 1993 stock market. But preparation – particularly of houses that may take time to move – remains a key point.

Put another way, the vendor's job is to present the house so attractively that the potential buyer cannot overlook its charms and might even fall for them.

What does that mean if you are selling?

■ Your family must be ready to help in showing people around, turning off the ghetto-blaster, or not wandering naked at the wrong time between bathroom and bedroom. Remind them that, in most cases, the intention is that all should benefit from the sale/move. The sour atmosphere of a family squabble does not help a sale.

■ Do not hasten to tell your neighbours: so says Andrew Smith, of national agent Strutt & Parker. Word will spread quickly, probably giving the wrong price. The house will soon become stale news, damaging the short, intense sales campaign a good agent is likely to recommend. Surprise helps selling. Buyers like to think of themselves as early birds catching the new day's worm.

■ Read the draft of your agent's brochure carefully. Is it a fair, open-minded description? If you like, you can add a personal note on what the place means to you. That will help some buyers and should not run foul of the Property Misdescriptions Act.

Check carefully the fittings mentioned in the text. Are they the ones you intend to be included in the sale, or will you remove some? Should any be available as extras? Buyers are not happy if they think they are getting a house with an Aga but, on completion, find the Aga gone. It could lead to a lawsuit against you.

The effective time to talk about the house, and how you and your family have lived in it, is when taking buyers around and you can gauge the sort of people they are. Remember - they are buying the house, not you. But mentioning changes you would have made had you the time or money could prove an irresistible challenge for them to carry out.

■ Arrange for the photographs in the brochure to be taken as close as possible to its printing and the house coming on the market – and, says Smith, "on a bright, sunny day." Buyers look for what they have seen in the brochure and do not like to think it has changed. Repaint before the photographs and do not change the furniture afterwards. Then, it is clear you are not hiding anything.

If the garden has its best flowers in the spring but you are selling in the autumn, include a picture if you have one. Here, the brochure is more use than viewing.

■ Have the house tidy, clean and welcoming as if you are awaiting guests. A few flowers help. But do not overdo the tidying-up or you will reveal your anxieties. It is more important that the house looks confident and lived-in. If it is too neat, especially in children's rooms, the buyer will think it is sterile and go away wondering how anyone could live in such over-disciplined unreality.

■ Mow the grass and tidy the garden, at least enough to show that you maintain it as an integral part of your life there. If there is a tennis court, remove any weeds. A swimming pool must be clean.

■ Live in the house during the sale period if possible, and keep as much furniture as you can. The more homely it is, the better.

■ Minimise buyers' fears of a large bill for repairs and re-decoration. A small outlay by you on necessary repainting, clearing gutters, checking down-pipes and fixing loose slates and tiles is almost a sure bet to be repaid several times over.

Be chary, though, of a complete redecoration; it might put buyers off. You do not know what colours they like or what furniture they have. (London is different, particularly in the rich, central area where overseas buyers often are glad of a completely decorated flat or house into which they can move at once).

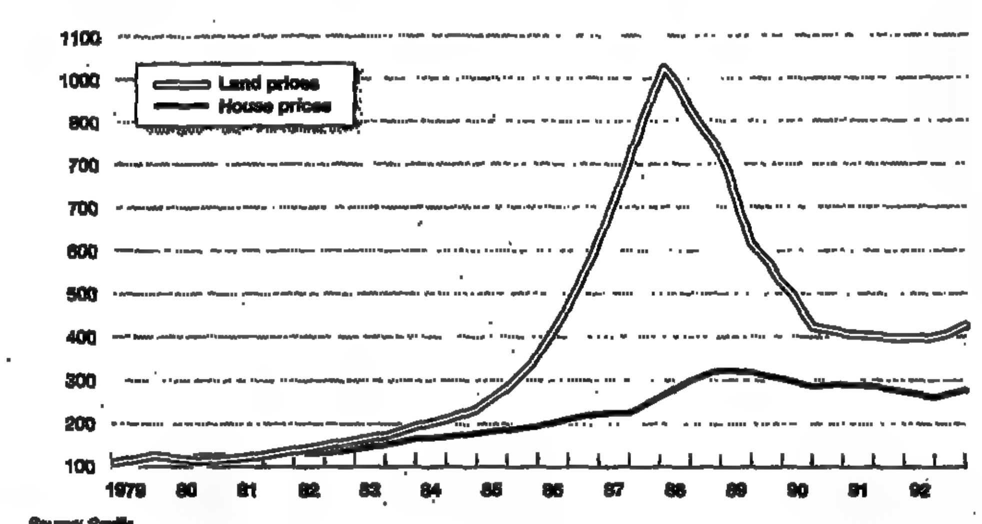
■ Be pleasant and natural to the buyers. Answer their questions honestly but do not gush. If you have transformed the house from a humble past, do not be surprised if some are disappointed; they may think it has become too comfortable for its origins.

Fitted carpets did not exist when most old rectories and farmhouses were built. Too many now could deter those buyers who prefer polished wood floors with rugs; they will be happy not to acquire the floor coverings mentioned as an extra in the brochure. But all buyers are glad of a watertight house.

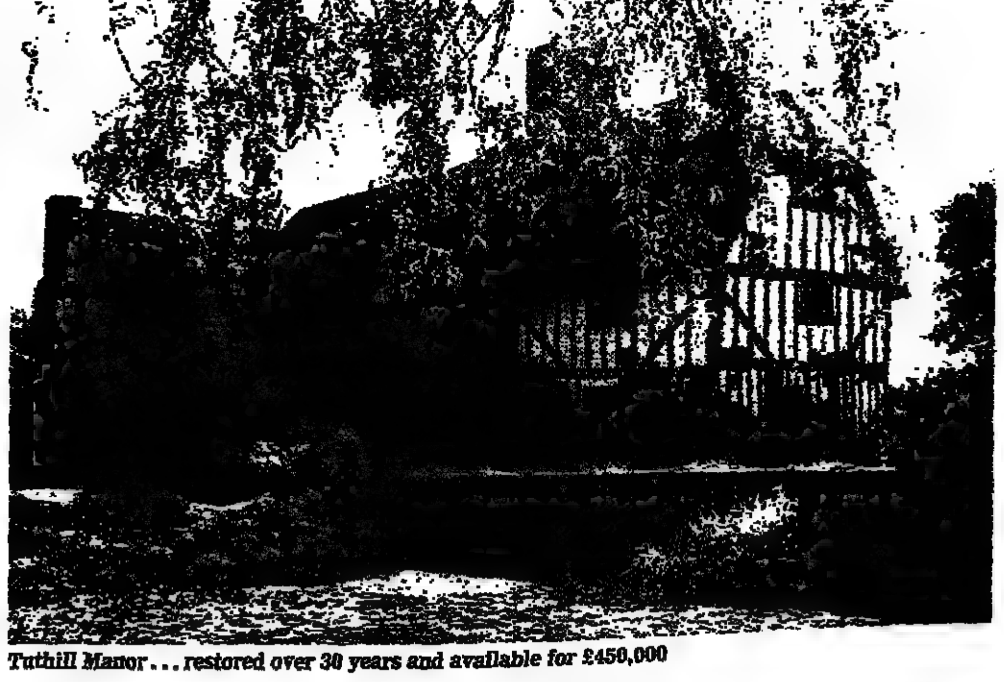
■ If the buyers have come a long way, offer them tea or coffee. And do not let bawling children and yapping dogs put them off even before they have started to look. If you take them through the rooms, let them go round by themselves afterwards. It gives the privacy they must have to decide if your house is the one they want.

■ Finally, if the property is listed, have photo-copies of the listing entry, and of any mentions in Pevsner's *Buildings of England* or articles about it in *Country Life*, ready for the buyer to take away to read later.

Residential building land and house price indices



Source: Savills



Tuthill Manor . . . restored over 30 years and available for £450,000

Cadogan's Place

Land prices start the long climb back

BUILDING land prices are another sign of how the property market has touched bottom and is rising slowly. In 1988-89, many a village kitchen garden was sold off with outline planning permission for dwellings. Then, the market collapsed, falling more than 60 per cent between 1989 and mid-1992, according to Savills' residential building land price index.

Now, this market is on the turn, gaining 1.8 per cent on average in the second half of 1992 and a further 7.4 per cent in the first half of this year. In the Cotswolds, Hurley Lloyd Thorpe reports quick sales of two sites, each with consent for four houses, at close to the asking prices of more than £150,000 (near Chipping Campden) and around £145,000 (near Stow-on-the-Wold).

Until the middle of last year, the market fell relentlessly. Savills' Yolande Barnes says this made some site values "too low when compared to a residual value (after building costs and developer's profit) based on house prices – even on the very depressed house prices of 1992."

Now, though, better land sales early in the year seem to have encouraged developers, including the local builder who bought the Chipping Campden site, to look around and plan ahead. In areas where there is not enough suitable land, developers are bidding up the prices, and a few prime sites have gone for 20 per cent more than last year. But Barnes does not expect any sustained increase until house prices move further ahead.

* * *

FARMLAND also is selling well, thanks to the improved EC support payments for UK farmers that appeared overnight as a result of the devaluation of the pound almost a year ago. Strutt & Parker recently sold a farm of 188 acres in Northamptonshire, on the border with Leicestershire, for £385,000 at auction, quoting a guide price of £400,000 beforehand. The price works out at an impressive £2,073 an acre.

Knight Frank & Rutley sold £40m of farmland between May and August, noting that the funds to buy came "almost exclusively from individuals and trustees." They benefit most from legislation that allows 100 per cent relief from inheritance tax (IHT) for the owner's personal farming, which includes farming by contract and share farming . In the eyes of the Inland Revenue, it seems that being a farmer no longer involves getting up early. Even owning let land allows 50 per cent relief from IHT.

* * *

STONELEIGH, in Warwickshire, is an address that all farmers recognise as the home of the Royal Show each summer, and of the National Agricultural Centre. The Stoneleigh Abbey Preservation Trust and Kit Martin (well known for his conversions of major country houses) are seeking planning permission to convert the Georgian, Grade I-listed big house, plus its stables and the home farm, into flats. The state rooms will be kept for the public to see.

To provide the funding, the trust has gone into partnership with Bryant Country Homes to build new houses on a site next to the home farm, a hotel near the Agricultural Centre, and two golf courses on arable land at places on the estate where they will not damage the look of the big house and its park, designed by Humphrey Repton.

* * *

NEW HOPE awaits the Brighton Marina as well. Housebuilder Barratt and the troubled leisure group Brent Walker have agreed that Barratt can market 30 existing houses and flats there. Barratt also is preparing plans for more units at parts of the site it has acquired from Brent Walker, and expects them to be available for buyers from early next year. Inquiries to 0273-693 636.

* * *

RENTING revived in the recession as a sensible alternative to what had, suddenly, become the perils of owning your own home. An imposing house now available (although possibly suited better for a company than an individual) is Dupplin Castle in Perthshire, built in 1969 by the architect Walter Schomberg Scott for the late Lord Forteviot of the Dewar's whisky family.

It is astonishing that so prestigious a house – Scottish baronial, late 1960s' version – was built privately only 24 years ago. Like the 1940s' palaces of India's rajahs, it is gloriously unaware of changing worlds. Length of the lease and rent are both negotiable with Savills in Edinburgh (031-226 6961).

* * *

IN WARMER Devon, Craddock House near Uffculme and Tiverton is a Georgian property with a colonnaded veranda, a good garden and a Victorian conservatory with vines. The guide price from Jackson-Stops in Exeter (0392-214 222) is £750,000. A further 40 acres with farmhouse, barns and farm buildings are available for around £210,000.

In Hertfordshire, Tuthill Manor is an intriguing, ancient, half-timbered house which has, over 30 years, been restored by its present owners into the glorious manor house, complete with great hall and gallery, it once was. John D. Wood (071-493 4106) offers it for £450,000.

Gerald Cadogan

GARDENING

A super spot for some late-summer lusting

Spurred by hearsay, ***Robin Lane Fox*** *roams a world of borders where a mind's autumn image is transformed into colourful reality*

IN MY mind's eye, I have had an image of a late-flowering border, planted as borders used to be planted in the days of soft watercolours when nobody was ashamed of golden-rod. In this clear, calm autumn, the image has evidently grown into a lust, or so I deduce because I have just run it to ground in the natural habitat of late-summer lusting.

The garden of The Lordship at Benington near Stevenage, in Hertfordshire, appealed to me on hearsay, a botanical symbol in the Yellow Book and a star in the Good Gardens Guide. Visiting on the off chance, I find that I have hit the mark. Next year's TV movie, Late Summer Lusting, has just been filmed in the garden and I will wait to see if it satisfies the same instincts which the garden has just satisfied in me.

The Lordship is a site with an extremely long history and a large supporting farm but the presiding spirit of the garden since 1970 has been Sarah Bott. Now in her mid-50s, she has the quietly-spoken firmness of an assured plant-person.

She was born a Fox – part of the family which owned the great gardens at Glendurgan, Cornwall, which are now a public asset – and her gardening began at the age of 10. She is living evidence for those who think that gardening is a genetic mania. She is also evidence for those who think that it is fostered culturally: her mother Barbara's example has not faded after 40 years, although Hertfordshire is not Cornwall and The Lordship's quick-draining clay is unsuited to good camellias.

People flock to the garden in February when the snowdrops are out in force but, although abundant, they are not particularly rare. In my garden guide, The Lordship is also said to be noted for its border of penstemons. Wherever is it? I wondered, on arriving at its puzzling entrance. The Lordship stands in its own park and its architecturally baffling house adjoins such features as a mock Norman gateway, a broad, ancient moat with no water, and a white jasmine as high as the eaves of a brick-built wall with overtones of the 18th century.

We began by exploring a clockwise route: the moat, the keep, and the problem of black spot on Margaret Merrill, a hugely impressive Magnolia grandiflora (which had none of the problems of mine as related in this column recently).

Sarah Bott in her garden at The Lordship . . . living evidence for those who think that gardening is a genetic mania

Tony Andrews

There were some contrary flashes of plantsmanship: I had mistaken a late eupatorium for a deutzia; Sarah Bott had shown her lemon verbena, 3 ft high and unscathed by the winters. A square of Rosa moyesii geranium was looking lovely with its late rose hips; we agreed in disliking the harsh colours of Rosa cerise bouquet; we disagreed on the respective merits of R. Frühlingsgold and Frühlingsduft.

It seemed like a pleasant outing, but not the satisfaction of a late-summer lust, while we strolled beneath the pillared veranda swathed in the large leaves of Vitis coignetiae with views across an amply-lilied lake. The rock garden was past its best but, in a dell behind it, I did find an emblem for corporate financiers, reading this column in their search for a new logo: a rather fine statue of Shylock stands in stone above a planting of White Honesty.

Away to the left, I caught sight of the best white agapanthus, the ardernei form which has featured here since I re-met it, long after The Lordship had been growing it without fuss. Perhaps I should have guessed: we turned the corner and looked up the length of a hidden double border, longer than anything in an Oxford college and the translation of my mind's autumn image into reality.

On either side of a stepped path runs just the border which autumn evokes in the mind: unusual crocosmias; tradescantias in a second flowering; polygonums, both common and uncommon; Rose Nevada; the Barnsley white mallow; marvellous drifts of ligularia; the best violet-blue strobilanthes I have seen for ages; shaggy annual asters from a seed packet; climbing white solanum on the pillars of the old brock gateway; more eupatoriums which do not look like deutzias; the gentle blue spires of Veronica exaltata; and the tall points of white, like beads, on that quiet winner, Lysimachia ephemerum, which plainly was enjoying the damp in the ground. Seen from below, it was breathtaking: it is better from above, replied Sarah, my companion, the only Bott in the landscape.

When she began, she gained help from reading such writings as those of Graham Thamas and the Sunday articles of Vita Sackville-West, whose legacy lives on for the over-50s. She inherited a border which flowered only in July and had none of the family plants in which she moved: the eupatoriums, the dusky crocosmia which she knows as Aunt Lucy, the personal echoes of friends and relations which sound especially familiar to those of us who started to garden while seriously under age.

As we climbed, I noticed how the border must have been just as impressive in previous months: Bott recommends the last week in May, when the last of the tulips match the early border beauties and she prepares for some notable delphiniums. Like many good gardeners, she disagrees with the usual perceptions: she finds June and July often to be a disappointment.

The Lordship's long borders do not focus on one or two colours. They do not exclude plants which rarified gardeners now fail to appreciate: annual asters, perhaps, or pale pink perennial bolsam. The results reflect the particular span of a lifetime and match an image, not a fashion. As we looked down, the guiding spirit declared herself content with her work. Gardeners have only to look at their results to see imperfections, but true gardeners are content with progress and the process.

What next, I wonder? For visitors, the answer is a left-hand turn through a brick gateway into a kitchen garden of mixed penstamons, a wonderful swathe of the blue Clematis Perle d'Azur, and borders of gold and silver foliage, some of which have been banished after attempted introduction by her gardeners.

For the owner, the mid-50s are a time in life for tree planting and continual weeding because The Lordship's enormous gardens run on a head gardener and an assistant. In winter, there will be dogwoods in blazing red beside the lake and winter-scented honeysuckle and hellebores on the ruins of the old Norman castle. Not every gardener can go to ground in a winter retreat which has been inhabited for nearly 1,000 years. Before the public season ends this month, late-summer lusters should pay it a visit and enjoy borders which live up to any mind's-eye view.

■ *Benington Lordship, five miles east of Stevenage, is open on Wednesdays (12-5) until September 30 and specially open for FT visitors this Sunday (2-5).*

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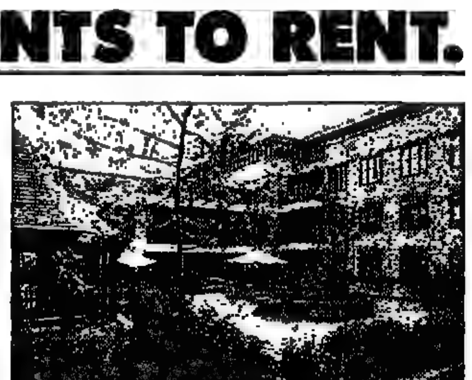

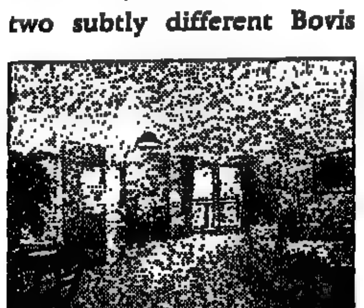

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BOOKS

Case for the prosecution

***Robert Taylor** considers a critical new biography of NUM president Arthur Scargill*

IT IS hard to imagine a more devastating failure than the efforts of Arthur Scargill, the mineworkers' union president, to preserve the British coal industry. Indeed, his belligerence probably played a large part in destroying the jobs he claimed to be championing. Since the miners' strike nine years ago more than 140 pits have been shut and more than 100,000 men made redundant as nuclear power, gas and cheap imported coal have increasingly met Britain's energy needs.

As the veteran labour journalist Paul Routledge says in his unauthorised biography of Scargill: "The more baleful his threats from the presidential rostrum the quicker the dash for gas became".

After his landslide election victory in 1981, Scargill took over a union in which the members were still the shock troops of the trade union movement. Now it has shrunk so far that it is smaller than the actors' union, Equity. Under his leadership the NUM has moved to the fringes of the Labour movement. It no longer has any seats on the TUC general council, not even on Labour's national executive. As Routledge says: "By all the formal criteria of success he has failed".

Yet the irrepressible Yorkshireman can still stir the TUC's collective emotions – although not its reason – with his demagogy. He may be "a virtual outcast from political society" but he continues to fascinate. Even as his charisma fades, he still stands out among the grey men at the top of Britain's unions.

As a former Scargill enthusiast, Routledge describes his pacy book as "a voyage of disillusion". Indeed, it was hard to find any favourable comment at all about the man throughout its 296 pages until the last strange paragraph when Routledge writes of Scargill as "a beacon of support" for "workers in struggle, anywhere, over whatever issue" and that he should be "honoured" for this.

Scargill is portrayed as a spoilt child who always liked to get his own way. Routledge ridicules him as an egoist with a "sense of destiny". As a member of the Young Communist League, the young Arthur attracted the attention of the party as a self-confident class warrior but apparently his Marxism was always vulgar with "sentiments not out of place on the letter's page of a children's newspaper".

SCARGILL – THE UNAUTHORISED BIOGRAPHY
by Paul Routledge
Harper Collins, £16.99, 288 pages

Routledge derides Scargill's role as the man who closed Saltley coal depot by mass picketing in the 1972 coal strike. Heroic myth was really a "fairy tale". And he has nothing but contempt for Scargill's leadership during the great coal strike, suggesting he prolonged the agony of the miners by his refusal to compromise.

The NUM president would not talk to Routledge during his researches and he sought with some success to prevent the author from gaining access to his closest associates. But Routledge makes good use of National Coal Board archives of the great strike for an insight into Scargill's behaviour during those tumultuous days. His own intimate knowledge of the coal industry and the NUM is also invaluable in trying to put Scargill into a wider context.

The trouble is that the author is less than frank about his earlier closeness to the NUM president. Scargill was a prime contact for Routledge until May 1984 when the late night phone calls suddenly stopped coming.

The two men were allies who used each other professionally. Routledge attended drinking sessions with the broad left NUM faction on the union executive that met in London's County Hotel.

Scargill "mesmerised a generation of miners", declares Routledge, but it seems he bewitched the author for a long time too. Yet as the author admits, Scargill did not come from nowhere. It was the NUM left that "spawned" him. Will Paynter, the legendary Welsh miners' leader, called him "one of the ablest and most articulate trade union leaders in the country".

Indeed, Scargill's demands and style raised no criticism at all from the formidable and articulate NUM left. They may have found him a bit gauche and a socially stand-offish because he would not drink heavily with them but they backed him all the way.

It was the revered Mick McGahey, Communist NUM vice-president, who warned that the union would not be "constitutionalised" out of a strike in 1984 by honouring its rule book commitment to hold a ballot before industrial action. The minutes of the negotiating sessions with the coal board during the dispute reveal no obvious difference between Scargill and the other NUM leaders on either tactics or strategy. Perhaps everybody was spellbound by Scargill's delusions and certainties. But he never disguised his true intentions.

The NUM president is a revolutionary not a union leader. He has never signed a wage rise for his members, never compromised, never bargained. "The greatest achievement is the struggle itself", he declared after his devastated members went back to work after nearly a year of pointless conflict.

Yet in many a miner's home Scargill remains a revered figure because of what Routledge calls his "self-deluding sense of destiny".

The £60,000-a-year NUM president may have borrowed money from the union to beautify his home during the strike, as Routledge explains, at a time when many of his members had to sell or pawn their furniture to buy food for their children, but many in Yorkshire continue to see him as a man who can do no wrong. This was always dangerous idolatry. Those who still believe that Arthur walks on water should read Routledge's devastating case for the prosecution.

A king from the slums

***Kevin Henriques** on the life of a great clarinettist*

ROSS Firestone's admirably detailed, adroitly detached and scrupulously fair account of the life of Benny Goodman is far from being the first study of the jazz clarinettist's life but it is likely to be the definitive one.

The story of the Jewish boy born in a Chicago slum (along with 11 other Goodmans) who became an internationally known and respected musician, in both the jazz and classical worlds, is the stuff from which Hollywood biopics are made. In fact, one was made. Firestone describes it, accurately, as "absolutely dreadful," adding that the storyline was "patently false."

No similar description can be applied to Firestone's diligent delving into Goodman's life. Admittedly, his childhood is covered rapidly – by page 38, the 16-year-old Benny has his first major engagement (for something like $100 a week: a fortune for those days) with the band of drummer Ben Pollack in Los Angeles.

Thenceforward, Firestone chronicles the almost novel-like career and rags-to-riches life of a complex character whose mercurial behaviour was a constant talking point to his final days.

SWING, SWING, SWING. THE LIFE AND TIMES OF BENNY GOODMAN
by Ross Firestone
Hodder & Stoughton, £18.99, 522 pages

As well as recounting many celebrated incidents with his musicians, almost all of which showed his extreme insensitivity to their feelings – including the famous glare of disapproval on the bandstand known as "the ray" – Firestone amply covers many other aspects of his character which a novelist would hardly dare to pour into one person.

Such curiosities included his enduring search for the perfect reed; his inability to remember the names of his musicians; his offhand treatment of most of the female singers who appeared with his band; the many strains in the relationship with his influential brother-in-law, John Hammond (Goodman married into the Vanderbilt family); and his general remoteness and inability to come to terms with the demands of his fans when he was at the height of his reign as "king of swing."

Firestone does not attempt to explain Goodman's eccentric, enigmatic behaviour but he does suggest some strong reasons for his quirky character. A demanding human being, Goodman (indisputably a master clarinettist) was intolerant of other people's failings because he was so relentlessly demanding on himself. For him, there was no excuse for anything other than optimum performance.

Additionally, he had to live with a recurring back problem which plagued him from the 1940s onwards. Firestone intimates that Goodman was often in pain while performing, another reason for his unpredictable behaviour.

Inevitably, the peaks in Goodman's musical career are chronicled faithfully: the success of the big band in the 1930s, followed by the legendary Carnegie Hall concert in 1938; his association with arranger/bandleader Fletcher Henderson, whose writing was a key factor in the Goodman band's success; his study with the British classical clarinettist, Reginald Kell, in the 1950s; and the classic Goodman quartet recordings with vibraphonist Lionel Hampton, pianist Teddy Wilson and drummer Gene Krupa.

As far as these are concerned, most readers will be surprised to learn from Firestone that there were personality clashes between the four which added tensions to their later reunions; indeed, these usually were reluctant occasions for all the participants, who had gone on to become major figures in their own domains.

The conclusion from this consistently readable biography is that Goodman, like many influential figures in jazz, was a highly complex human being and no outsider, however inquisitive, will ever be able to grasp the core of his many faceted personality. Ross Firestone probably has got as close as anyone ever will.

AUTUMN FICTION

Angles on a tragic history

THE POINT scarcely needs to be made again, that White South Africa, particularly the English-speaking element, has produced a remarkable number of distinguished writers in proportion to its small population.

Three of the country's best contemporary novelists are on parade this month: Christopher Hope, expatriate for many years but still returning frequently to his roots; Ronald Harwood, also expatriate, better known for his work in the theatre; and André Brink, based today in Cape Town, who has come over from the Afrikaners.

Christopher Hope has produced, in *The Love Songs of Nathan J Swirsky*, a sequence of stories set in 1951 in the new Johannesburg suburb of "Badminton". Some of them have been read by the author on Radio 4, and listeners will already know that their charm and brilliance lie in Hope's trick of showing life in this absurd and utterly realistic apartheid community through the eyes of the children – a very different perspective on that reality.

The surface detail is lovingly nostalgic. The appalling mother who can only think in racist euphemism; her long-suffering husband, tempted by more liberal values: "We try to treat our servants as part of the family... At Christmas and Easter the servants are always included. We don't have to do it. We choose to do it"; the Indian topsoil man and the unmentionable African nightsoil gangs; the Torch Commando of ex-servicemen, chasing burglars in the blue-gums and cursing the National Party government: "This is a damn silly country. I went off to fight the Nazis and I came back to find that the place was being run by dyed-in-the-wool fascists. Thanks for nothing!"; Bobby Locke; Tootal rayon shirts; 'Which twin has the Toni?'; and, at the heart of it, Nathan J Swirsky, the newly-arrived Jewish pharmacist, loved by the kids because he is "grown-up but... not grown-old".

THE LOVE SONGS OF NATHAN J SWIRSKY
by Christopher Hope
Macmillan £13.99, 190 pages

ON THE CONTRARY
by André Brink
Secker & Warburg £14.99, 376 pages

HOME
by Ronald Harwood
Weidenfeld & Nicolson, £14.99, 346 pages

This is a wonderfully funny book, and I am happy to offer the phrase for the dust jacket, but the copywriters must add that this is *tragi*-comedy. For you begin to realise that Hope is crafting a metaphor of South Africa: there is the dynamite factory down the road, which the children fear will blow up one day; there is the Old Age Home for Jews from Europe; there is the black servant, laughing at them all, and soon to give Mrs van Reenen a bun in the oven; and in the end Swirsky joins the Black Zionists. The publisher compares it with the Lake Wobegon books, but that underestimates the achievement. It has the makings of a small classic.

André Brink has never hesitated to use his novels to tackle the Big Themes of South African history and society; it must also be granted that he has always spoken out courageously and, as an Afrikaner, has been in a more exposed position than the Gordimers and the Hopes. His latest novel, *On The Contrary*, is powerfully ambitious and is drawn from a little-known historical rebellion in the 1730s Cape of Good Hope against the corrupt Dutch rule of the East India Company. Its leader was a French adventurer called Estienne Barbier.

This narrator and anti-hero was a rogue, a con-man, a fantasist, a coward, a seducer, a murderer, a complete villain – but, imagines Brink, before his ghastly execution he came to understand what the Whites were inflicting on Africa, to feel shame, to accept responsibility.

This is a long way from the gentle subject matter of Miss Brookner and Francis King and most new novels, and Brink does not hesitate to use every trick of his trade, from Derrida to magical realism, from Cervantes to a Scheherezade slave girl and the accompanying shade of Jeanne d'Arc. One of many difficulties is, I suspect, that Brink's usual readers are not accustomed to the experimental and will be baffled by the ingenuity of his constructions: the constant switch from historical saga to inflated fantasy (eg the leap from the careful detail of Company administration to Barbier's visions of unicorn and hippogriff) can be testing for those who preferred *Looking on Darkness* or *A Dry White Season* to Brink's latest, *The First Life of Adamastor*.

My own hesitation is different. I am one of those who have always thought there was something crude about Brink's imagination: there is a near-uncontrolled lasciviousness and violence about so many of his books – particularly here – which is worrying in a highly successful international writer. And, if you press me, I shall add that I think this is a deeply pretentious novel. But many reviewers will disagree.

Ronald Harwood has made his career as a dramatist – The *Dresser*, *Another Time*, etc. – but he is also a novelist who, 20 years ago, wrote a long historical saga about South Africa, called *Articles of Faith*. Now he has done something similar in *Home*, which includes a South African section but is wider in its geographical range. He traces the story of four families across this century so as to bring together, at the end, a couple who are respectively "the descendant of Catherine the Great" and "the descendant of wandering Jews". The autobiographical element is not denied.

It starts with a flight from the pogroms in 1911 and goes on to Hamburg, Warsaw, Moscow, Berlin, London, Cape Town, Paris, Chesterfield – you name it. Zionism, Nazism, Communism all feature. The Jewish protagonists are "the eternal expatriate"; the moral is to remember Voltaire's warning against "the madness of those who are certain". As you would expect of a playwright, the dialogue reads better than the descriptive narrative.

JDF Jones

Time to party with nanny

I GREET a new novel by Dame Iris Murdoch as I used to greet a party when I was a child. There stands Nanny Iris in front of a table groaning with goodies: egg sandwiches, crisps, jellies, chocolate biscuits, a huge iced birthday cake, all to be washed down with delicious fizzy Tizer.

I feel elated and at the same time the slightest bit apprehensive. After tea, faces wiped, we are made as usual to play Hunt the Thimble, or rather Hunt the Symbol, her version of the traditional pastime, .

THE GREEN KNIGHT
by Iris Murdoch
Chatto & Windus, £15.99, 472 pages

This time she has been exceptionally kind and given us in her title *The Green Knight* a clue where to look – it recalls the medieval English poem of chivalry, *Sir Gawain and The Green Knight*. In case we've forgotten she reminds us of the story, also summarised in *The Oxford Companion to English Literature* thus:

"Arthur and his court are seated at a New Year's Feast in Camelot waiting for a marvel when a huge green man enters, bearing an axe and a holly bough. He challenges a knight to cut his head off on condition that the knight agrees to have his head cut off a year hence. Gawain accepts the challenge and cuts the green knight's head off: the knight picks it up and rides away."

The standard edition of this poem was edited by Tolkien and is still part of the Oxford English degree course. Could it be that a certain Professor John Bayley drew the novelist's attention to it? Or was it the version for children performed recently at the National Theatre? At any rate she has had a go at bringing it up to date. A group of people in contemporary London – a "family" not all of whose members are related to each other by blood – go through a series of crises that approximate to the main sequence of events in the poem.

Their London base is a rambling four-storey house in Brook Green occupied by a glamorous widow in her late 40s and her three nubile daughters, whose ages range from 16 to the early 20s. I hardly need add that this trio are all incredibly beautiful and stunningly bright.

The lives of the other characters revolve around them and their mother. The two older daughters revere a history professor called Lucas, a friend of their late father's and a scholar of teutonic rigour. Lucas was an adopted child whose parents shortly afterwards produced a son, Clement, who became an actor.

Intense sibling rivalry developed between the two brothers leading to much cruelty; wounding memories persist in their adult life. On a dark night Lucas attempts to settle old scores by hitting his brother over the head with a baseball bat while they are on a walk. A stranger intervenes and gets in the way of the blow, saving Clement's life. Lucas faces criminal charges after the stranger's death but gets off on a plea of self-defence.

That all seems to be safely in the past until, at the start of the novel, the sisters notice a tall man in a trilby hat with a green umbrella standing outside the house keeping up some kind of surveillance. He also appears outside Lucas's house into which, uninvited and much to Lucas's discomfiture, he enters. He is the stranger who suffered Lucas's blow and who is not really dead after all. Decoded he is the Green Knight reappearing a year after his beheading, and now it is his turn to call the tune.

In spite of the improbabilities in the basic premise, Nanny held me spellbound as she unfolded her tale. There are far too many twists and turns in a characteristically complex plot to summarise, anyway it would spoil the fun.

Just as in the poem we never quite know what to make of the Green Knight, in his incarnation here, called Peter Mir, he remains a man of mystery. He is violent, he is passive. He demands retribution, he believes in reconciliation. He is an over-demanding guest, an absurdly generous host. He is a Jew, a Russian, a Buddhist, a saint, an angel, a millionaire, a nutcase. He is so protean as to be virtually incredible - but we accept him like the policeman in *An Inspector Calls* for his ruthless harrowing of the buried guilt in the family he investigates.

The three sisters, Aleph, Sefton and Moy, leading their Chekhovian lives in this heartbreak house, are among the most attractive of Dame Iris's creations. To balance them there is an assortment of menfolk and one dog, Anax, who steals the show in the last chapter; animal loyalty and love surpassing human.

Whatever this novel is trying to tell us at bottom – it sounds as if it is another lesson in the problem of transgression and atonement – that remains as difficult to understand as it does in the 24 previous novels by this writer. But there is no doubting that her narrative skill continues to be as inventive and energetic as ever. Once again she has presided over a wonderful party.

Anthony Curtis

A nose for news

THE FIRST thing you know about Iain Banks's new novel, already at the first page, is that you are going to read it through right to the end. A few pages on, you decide that anything beyond a good compulsive read would be a bonus. The bonuses keep accruing. By the end you feel you have read a remarkable novel.

The story is set in Edinburgh, Banks' own stamping ground. Cameron Colley, the narrator, is an investigative reporter with a local newspaper. When he is not working he is drinking hard, sniffing speed, addictively playing upmarket computer games, and carrying on an athletic affair with a friend's wife.

He is in the process of investigating a series of unsolved murders. But while this is under way a serial killer is at work. His victims are the powerful and the rich who, for one reason or another, arguably had it coming to them. You get an eerie behind-the-camera view of the unknown killer's attacks which are executed with calculated professionalism. There is a chilling detachment about the killer's mode of operation, curiously enhanced by a seemingly arbitrary last-second relenting in one case.

COMPLICITY
by Iain Banks
Little Brown £15.99, 313 pages

THE VICAR OF SORROWS
by A N Wilson
Sinclair-Stevenson £14.99, 391 paes

Since the murders – ultimately, and most gruesomely that of his lover's husband too – all occur while Cameron Colley happens to be close to the scene and without a plausible alibi, he gets arrested as a prime suspect. From here, however, the story takes an unexpected turn, echoed by the novel's title.

The characters are, to a man and woman, from privileged backgrounds, accomplished, and morally deficient. Their attraction, physical as otherwise, is superficial. Their pursuits, trivial. Yet the novel moves you and makes you wonder why. Perhaps an observation Colley makes about the second central character provides a key to the enigma: "He's disillusioned," says Colley. "He used to have lots of illusions, and now he's got only one: that what he's doing will make any difference." The expected authorial message is cunningly subverted, thus enforcing the eponymous perception of complicity through a range of human failings, not least among them, apathy.

Superbly crafted, funny, intelligent, but cold, this is very much a novel of the time: forget about early social deprivation, child-abuse, unfriendly environment, not to mention native inadequacy; instead, blame Thatcherism for everything.

□ □ □

A N Wilson has written some excellent books. Chief among them a biography of Tolstoy which is nothing short of brilliant. His fiction, however, has been generally marked by absence of vigour. His latest novel is no exception.

A thoroughly uninteresting clergyman, locked in a loveless, uninteresting marriage, and going through a familiar crisis of faith in a static imaginary English village, improbably falls in love with a rather uncharismatic middle-class girl attached to a band of New Age Travellers who had struck camp by the village.

The improbability of the affair flows mainly from the clergyman's own emotional anaemia. It seems that the harder A N Wilson tries to inject life into emotion, the more academic and contrived it appears. That goes for the hero's obsessive grief over the death of his mother as for his love for the girl.

In so far as there is fascination in this novel, it lies in its failure: all the right ingredients are present. It is as though a lifelike *Golem* of a comely aspect has been created. But instead being animated by the living spirit, it had been fitted with an imperfect motor which the author, you feel, is desperately trying to crank up at intervals to make the thing move.

Elon Salmon

ARTS

Off The Wall

Blood on the music stands

THE Arts Council always keeps its bad news for the run up to Christmas (ask Kent Opera which lost its grant during these dog news days). This year, on 16 December, it will announce which two of the four major London orchestras that it funds (the LSO, the LPO, the RPO, and the Philharmonia) will lose their grants. The LSO, with its Barbican residency, knows it is safe, but the other three are fighting furiously for their subsidy.

The cause of the RPO seems lost. It has managed to organise its operations so commercially that it relies on the Council for £400,000, or just 7 per cent of its annual income, and the groundswell view is that it could survive on its own wits.

But the Arts Council's master plan to merge the LPO and the Philharmonia into a superband for the South Bank, where the LPO is already house orchestra, and the Philharmonia first reserve, has quickly hit the rocks. The Philharmonia approached the LPO to discuss such a deal, which would mean an enlarged orchestra with an enlarged grant. The Philharmonia was even willing to accept the LPO's name. But the LPO has rejected the idea of a merger. It no doubt feels that having won the residency at the South Bank only last year it is in a strong position to hold on to its autonomy – and take any extra money going.

Antony Thorncroft watches the battle for survival between London's orchestras

The Arts Council, in a display of discretion which comes close to cowardice, abandoned its responsibility for selecting the orchestras it plans to drop as clients and persuaded a judge, Sir Leonard Hoffman, to assume the role of Solomon. With the officially favoured option of a merger smothered at birth he will require all his skill to prevent what is already a mess, getting even messier.

■ ■ ■

On Wednesday the Gate opens again at Notting Hill. London's most successful pocket theatre, with awards as long as it is small, has been closed for enlargement. Thanks to £80,000 from Allied-Lyons, which owns the pub below, it can now seat 130 as against the paltry 56 before.

The formula stays the same – forgotten classics of world drama. Naturally for a theatre which has mined treasure from the Golden Age of Spanish drama, the new season opens with a Spanish play, but *Bohemian Lights* is by Ramón Maria del Valle-Inclán, Spain's leading early 20th century dramatist. Then the world première of *The Madman of the Balconies* by the Peruvian writer Mario Vargas Llosa; and finally a British première for Strindberg's last play, *The Great Highway*.

For the Gate this is a conventional repertoire. There follows a group of comedies that are real curiosities, works by a 17th century Mexican nun, a farce translated from the Sanskrit, and a Danish comedy.

Actors at the Gate are not paid, but are given travel expenses and a free lunch. Artistic director Laurence Boswell and producer Caroline Maude earn just £5,000 each a year. They balance the books by picking up prizes, like a £25,000 Prudential Award for the Arts. But the very poverty of the Gate has been the key to its success. Because the actors come free it can employ them by the bus load and mount grandiose classics way beyond the resources of our national companies: for a production of *Queen Elizabeth II* a cast of 32 trod the match-box stage.

They are happy to do so because the Gate is a marvellous take off spot. Its first director, Lou Stein, runs the Palace, Watford; its second director, Giles Croft, is at the National; and Boswell's predecessor, Stephen Daldry, has just taken over the Royal Court. Six of the younger actors in the current National Theatre company were signed from the Gate.

Three of the Gate's past successes will be broadcast on Radio 3 this autumn. The advent of Classic fm a year ago seems to have given Radio 3 a shot in the arm, not least in terms of its audience. It now takes 6 per cent of radio listeners as against 5 per cent, and is still gaining. Not quite up to Classic's impressive 10 per cent, but commendable all the same.

Radio 3's autumn schedule continues the quiet revolution. It is launching a new showcase programme, Music Matters, on Saturday evenings, with Sunday repeats, which should secure its highest audience. It is taking all the live opera relays from the Met in New York, which Texaco has sponsored for over half a century, so 20 Saturday nights on Radio 3 will be opera nights; it has got into bed with Channel 4 over Derek Jarman's movie *Blue*, which it will transmit simultaneously with the TV screening, surely the first time a film has been broadcast on the radio; and in January it introduces its first music programme, pop and all, aimed at children since Pied Piper in the 1970s. And it has silenced all those who thought civilisation ended when Radio 3 started to smarten up last year.

The Official London Theatre Guide

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APOLLO, Shaftesbury Ave. Tel 071.494.5070	**Forever Plaid** Previews from September 16	Tube: Piccadilly Circus Prices: £5-£25	T0836.430904
APOLLO VICTORIA, 17, Wilton Road. Tel 071.630.6262	**Starlight Express**	Tube: Victoria Prices: £9-£30	T0836.430905
CAMBRIDGE, Earlham St. Tel 071.494.5080	**Hot Stuff** The 70's Musical	Tube: Covent Garden Prices: £8-£22	T0836.430908
COLISEUM, St Martin's Lane. Tel 071.836.3161	English National Opera: SIMON BOCCANEGRA; STREET SCENE; LA BOHEME	Tube: Leicester Sq. Prices: £8-£42.50	T0836.430909
COMEDY, Panton St. Tel 071.867.1045	**Marvin's Room** From September 15	Tube: Piccadilly Circus. Prices: £5-£21.50	T0836.430910
DOMINION, Tottenham Court Rd. Tel 071.413.1411	**Grease** Is The Word	Tube: Tottenham Court Rd. Prices: £7.50-£25	T0836.430981
DONMAR WAREHOUSE, Earlham St. Tel 071.867.1150	**The Life of Stuff** From September 16	Tube: Covent Garden. Prices: £10-£18	T0836.430913
DRURY LANE, Catherine Street. Tel (071.494.5001)	**Miss Saigon**	Tube: Covent Garden Prices: £8.50-£30	T0836.430914
DUCHESS, Catherine Street. Tel 071.494.5075	**Don't Dress For Dinner**	Tube: Covent Garden Prices: £8-£18.50	T0836.430915
DUKE OF YORK'S, Tel 071.836.5122/4037	**Oleanna** From September 15	Tube: Leicester Sq. Prices: £5-£18	T0836.430916
FORTUNE, Russell St. Tel 071.836.2238	**The Woman in Black**	Tube: Covent Gdn. Prices: £8.50-£18.50	T0836.430917
GARRICK, Charing Cross Rd Tel 071.494.5085	**On the Piste**	Tube: Leicester Sq. Prices: £7-£19.50	T0836.430918
GLOBE, Shaftesbury Ave. Tel 071.494.5067	**Present Laughter**	Tube: Piccadilly Circus. Prices: £10-£22	T0836.430919
HAYMARKET, Haymarket. Tel 071.930.8800	**Lust**	Tube: Piccadilly Circus Prices: £7-£24	T0836.430920
HER MAJESTY'S, Haymarket. Tel (071.494.5400)	**The Phantom of the Opera**	Tube: Piccadilly Circus Prices: £9-£30	T0836.430921
LONDON PALLADIUM, Argyll St. Tel (071.494.5020)	**Joseph and the Amazing Technicolor Dreamcoat**	Tube: Oxford Circus Prices: £8.50-£29	T0836.430922
LYRIC, Shaftesbury Ave. Tel (071.494.5045)	**Five Guys Named Moe**	Tube: Piccadilly Circus Prices: £8-£27.50	T0836.430923
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OLD VIC, Waterloo Rd. Tel 071.928.7616	**Hair**	Tube: Waterloo. Prices: £8-£25	T0836.430930
PALACE, Shaftesbury Avenue. Tel 071.434.0909	**Les Miserables**	Tube: Leicester Square. Prices: £7-£30	T0836.430932
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PRINCE EDWARD, Old Compton St. Tel 071.734.8951	**Crazy For You**	Tube: Leicester Sq. Prices: £11.50-£30	T0836.430936
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ROYAL OPERA HOUSE, Covent Gdn. Tel 071.240.1066	The Royal Opera: MADAMA BUTTERFLY; L'ITALIANA IN ALGERI	Tube: Covent Gdn.	T0836.430911
ROYAL SHAKESPEARE CO, Barbican. Tel 071.638.8891	Barbican Theatre: TRAVESTIES Prices: £7-£21.50 T0836.430906; The Pit: WALLENSTEIN	Tube: Barbican. Prices: £14, £11.50	T0836.430907
SADLER'S WELLS, Rosebery Ave. Tel 071.278.8916	From September 16 Glyndebourne Touring Opera: LA CLEMENZA DI TITO	Tube: Angel. Prices: £5-£36	T0836.430941
ST MARTIN'S, West Street. Tel 071.836.1443	**The Mousetrap**	Tube: Leicester Square. Prices: £8-£20	T0836.430944
SHAFTESBURY, Shaftesbury Ave. Tel 071.379.5399	**Carousel** Limited season until Feb 26	Tube: Tott. Ct. Rd. Prices: £8.50-£30	T0836.430943
STRAND, Aldwych. Tel 071.930.8800	**A Slice of Saturday Night**	Tube: Charing Cross. Prices: £9-£25	T0836.430945
VAUDEVILLE, Strand. Tel 071.836.9987	**Time of My Life**	Tube: Charing Cross. Prices: £10-£20	T0836.430946
VICTORIA PALACE, Victoria Street. Tel 071.834.1317	**Buddy**	Tube: Victoria Prices: £8-£24	T0836.430947
WHITEHALL, Whitehall. Tel 071.867.1119	**Travels with My Aunt**	Tube: Charing Cross Prices: £8-£20	T0836.430949
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Records **Antony Thorncroft**

British pop award takes the respectable route

WELL, caution and common sense prevailed, and the judges of the Mercury Prize, £25,000 in readies for the creators of the best British pop album of the year, gave the money on Wednesday night to Suede for their eponymous album, *Suede*. If the Mercury wants to be the equal of the Booker in terms of outrage it will have to do better than that. If it wants to prove that the pop industry is as respectable and export minded as the manufacturers of widgets it could hardly have done better.

Last year the judges of the first Mercury Prize took something of a flier and selected *Screamadelica* by the Scottish group Primal Scream. It added 30,000 to the sales of their album but hardly made the band international stars.

This year the bookies' favourite won. Suede are the brightest young British band. They are fashionably androgynous, not to say gay, in a coyly blatant way, with lots of nudges, and bold images, in their lyrics. They appeal to young girls, who like the fact they resemble them, and to young boys, who enjoy a cathartic brush with the wild side. They are the type of band that record executives feel easy with, that they want the public to like.

This is amazingly tuneful music, in the mainstream tradition, with echoes of everyone from David Bowie to Duran Duran, but with lyrics that make the Rolling Stones sound like sissies. The strongest song is "Animal Nitrate", with its oblique druggy story line, while "Metal Mickey" is equally tuneful about sex.

Suede manage both humble melodies and a louche image, which promises a long international career. It is music for hairdressing salons and for American arenas, and is only revolutionary in not being aimed at the dance clubs, which have dominated the music scene for too long.

What of the other nine short listed albums? *Jesus' Blood Never Failed Me Yet*, by Gavin Bryars, was the essential long shot, the bizarre album which ensured lots of publicity for Bryars and for the Prize. Last year this role was taken by John Tavener's *The Protecting Veil*, which offered some link between the popular and the classical worlds. Bryars spiritual input, although genuine, is more ragged than Tavener's seamless mock medievalism. Its inspiration was the song of a street beggar and it has the impact, powerful but upsetting, of the gutter. It grates and irritates and lingers.

Then came a group of albums which reveal individuals with their own wayward visions edging towards the commercial. The most interesting was *No Reservation* by Apache Indian. This successfully merges street sounds, especially the obtrusive Jamaican Ragga, and its incessant hypnotic lyrics, with the equally mesmerising Asian Bhangra music. It is a powerful mix, more stimulating than soulful, but a good, if optimistic, vision of young urban living and brings Indian music into the mainstream at last.

New Wave by The Auteurs is solidly student music, bed sitter images for the *1990s* stuck in the sound of the early 1970s. Here again the lyrics are worth attention and the orchestrations are not afraid of cellos and a subtle bass line. There is a committed intensity in New Wave and if writer-singer Luke Harris owes something to Leonard Cohen in his vocal approach it is a worth-while debt.

The Mercury judges could not totally ignore current popular taste, however debased, and hot favourites with Suede were club band Stereo MC. *Connected* was the album with the hit singles, songs lapped up on the dance floor but smooth enough for listening. There is a little rap; an easy groove; and loads of spirit to make this the acceptable sound of the times, funky but unlikely to scare the horses. The other main commercial challenger was New Order. *Republic* shows a welcome return to form for Peter Hook's enduring band. This is dreamy, well crafted, mature pop music.

Dina Carroll and PJ Harvey were the women candidates. Carroll's *So Close* is old fashioned, American soul. It is a big voice revolving around a small emotional circle. *Rid of Me* by PJ Harvey is more interesting. The voice has a wistful intensity which you can hardly escape from, and if the songs are despairing at least genuine depths of feeling are being plumbed.

The final two albums show up the limitations of the Mercury Prize. Both were short listed to satisfy contradictory and unfulfillable demands. Stan Tracey is one of the UK's longest serving and best loved jazz musicians. His tribute to even greater Greats, such as Ellington and Rollins, in *Portraits Plus* appeals to the coterie of jazz fans and to sentimental judges. In contrast Sting's *Ten Summoner's Tales* could also never win because Sting obviously does not need £25,000, or a career boost, and you cannot honour such an established artist without revealing a total lack of imagination, even if his album is the probably the best group of pop songs written in the past year. Sting would doubtless have given the Prize to a deserving international cause. Suede, showing that they have quickly assumed the trappings of success, gave the money to cancer charities.

Fashionably androgynous: Brett Anderson of Suede, winners of the £25,000 Mercury Prize

City Opera, New York/**Paul Griffiths**

Tippett goes West

BRITTEN'S operas are as much part of the repertory in New York as they are in London, but of Tippett's, none had been professionally staged here until last Thursday, when City Opera introduced "The Midsummer Marriage" as the first new production of its 50th anniversary season. Instant impressions were gladdening. As the front curtain lifted, the music seemed at home here. Christopher Keene, the company's driving force as general director and conductor, had the orchestral introduction going with enthusiasm: the accelerating pulse and the fizzing lines, full of promise, gave us a Broadway Tippett – a valid slant on a composer for whom American music of all sorts has seemed vital and refreshing and democratic. This was going to be some show.

Unfortunately the orchestra's excitedness remained their only virtue. That rough vigour offered some continuing hope when rhythms were smudged or coarsened, as they so often were; it wore a bit thin when the violins kept sounding strained in music that ought to be tense only with athletic achievement. A cruel, mocking fate it is that goes on placing supreme and difficult 20th-century scores – "Moses und Aron" in 1990, "Die Soldaten" in 1991, "Doktor Faus" last year – in the hands of musicians so ill-equipped or ill-prepared to do them justice.

The cast was dodgy too. Dennis McNeil had the springing tone necessary for Mark's lyrical effusions, but Nina Warren as Jenifer had vibrato problems, especially in high-flying passages. Jan Opalach was also below his best as King Fisher. He came through to a strong resolve at the end, but before that this capitalist-materialist had seemed a weedy sort of threat. Most effective – perhaps this has to be so – were the secondary pair: Elizabeth Futral was neatly in tune with Bella's line and demeanour, and Brad Cresswell was a gentle-voiced Jack.

Francesca Zambello's production, designed by Kevin Rupnik, was much milder than one had been led to expect by other work of hers and by the advance publicity. We were promised a "Midsummer Marriage" resituated in the American West, but all this meant was that the acting space was surrounded by drapes showing monochrome views of Monument Valley, that three Native American symbols (earth, sky, sun) arrived in neon lights, and that the Ancients looked like Mormon settlers. The chorus, in soft-shaded modern clothes, could have belonged anywhere at any time in the last half-century or so.

One sensed budgetary constraint more than creative rethinking: the look was bald. There was not much magic. Where the musical images suggest a European tradition of the enchanted wood, here was a stark empty space. Dappled flutes, distant horn calls and paeans to the sun have little to do with the deserts of Arizona and New Mexico, and though of course those places have their own sacredness, it is a sacredness of space, and not aptly conveyed at all by a curtained-off square. There was no sense that the transformation of the central couple was coming about through an immersion in nature and ancientness.

Rather it seemed to be engineered, in some obscure way, by the dancers. Zambello had Mark and Jenifer appear several times in the second act, led on like zombies as the ritual dances proceeded. The hunting narratives specified by the composer were suspended: Susan Marshall's choreography was a more abstract display of youth and beauty, centred not on a solo male dancer but on a male-female pair, surrogates for the dumb principals.

Action overtook allegory. Instead of being another view, the dancing was part of the same story, a story that ended not with the union of Mark and Jenifer but with that of Mark and the dancer Strephon, seated together in the middle of the stage as the music ended. This felt imposed and mean-spirited: distrustful of the opera's metaphor of marriage as a stabilisation and fulfilment of personality. Tippett is not dealing with a Mark-Strephon whose two halves have to learn to admire one another, but with a Mark-Jenifer whose two halves must learn to understand one another.

Still, the composer looked delighted to be on the New York stage at last, joining the cast for curtain-calls in a dapper but, for him, restrained outfit of pink bow tie, light blue jacket, mid-blue trousers and casual white shoes. There are three further performances during the next three weeks.

THE TIMES world chess championships began on Tuesday, but with no radio commentary even on Radio 5. Chess is no more use to radio than algebra.

Radio 3 at least marked the Kasparov-Short contest with its Sunday revival of David Benedictus' play *En Passant*, about a lower-level meeting, between two immigrant champions from east Europe at a hard-up provincial congress. Nevinsky (Dave King) thinks he had been shopped by Groenmann (T.P. McKenna) in their old days and is determined to beat him. That is really all the plot. It was fun and it was about chess.

"Nobody," said Tim Crook of Independent Radio Drama Productions lately, "can match the millions of pounds' worth of co-production, direct funding, grants and sponsorship which IRDP has achieved with LBC;" but then he did not expect LBC, the London independent station, to come off the air. He hopes that IRDP will find the work to keep them going, as indeed they deserve. I hear their plays whole on tapes, not fragmentarily as on LBC; those I have had lately all took awards at the 1993 International Radio Festival in New York. *1000 to One*, by Gella Richards, a telephone SOS to a Rape-report group by the victim of a male rape, won a gold medal for writing; *Day Out*, by Tom Newell, a lifer's official day of freedom from prison, a silver for direction.

Getting Back, by Ben Rice, was more generous with story and character. Two telephone salesmen in a dubious company of stationery dealers try an exchange of personalities; the more honest comes off best. This won a bronze for best comedy special (sic). All were directed and produced, ably but unambitiously, by the tireless Tim Crook and Richard Shannon. I wish them luck

Radio

Quiet! Chess

They are not likely to seek help from any of the organisations mentioned in *The Gift Horses* (Radio 4, Thursday), the first of two programmes about charities. It was a thoughtful, well-informed survey of sensibly-organised charitable activity. The 1980s, we were reminded by Andy Downes of Centre Point, began a period of earnest "can't afford it"; but *Live Aid*'s television use of the Ethiopian famine led to better understanding that charity required little more than credit-card and telephone.

We heard of the different approaches likely to be most effective when professionally handled. The request must be a "wooing", with mutual respect between giver and taker. Legacies must be correctly worded. Overt pity or patronising should be avoided, so each side should feel respect. (One hopes that the lady who offered her old stair-carpet for the residents of Centre Point to sleep in was not too much offended by their refusal.) These maxims were not put out by BBC presenters, but by executives of such outfits as GEC, Campaign for Oxford, Chapter One, Save the Children and the Royal National Institute for the Blind. The one BBC presenter was John Skrine – who is now a charity administrator.

I am not usually keen on Radio 2's *Spotlights*, those audible reference-books, but I could not resist Wednesday's, on Mary Martin, my all-time favourite musical leading lady. As a fan I most enjoyed items like "Wonderful Guy" from *South Pacific* (though I would rather have had "I'm gonna wash that man right out of my hair"), and a recollection of Dolly Levi in *Hello Dolly* in 1965.

B A Young

ARTS

Venice: **Nigel Andrews** survives the film festival. **William Packer** enjoys an remarkable exhibition

Bitten by the Golden Lions

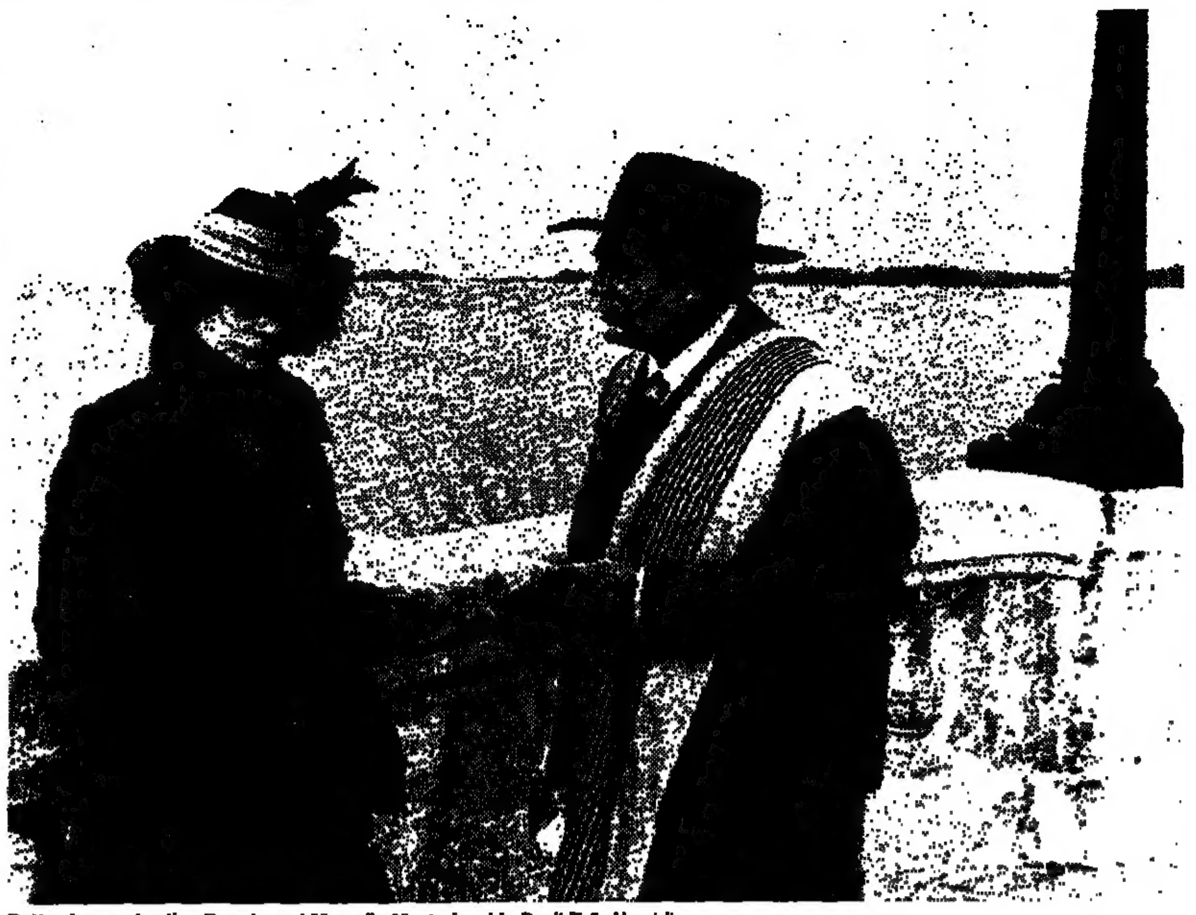
FOR THOSE in a state of advanced mental befuddlement this year, pink elephants have been replaced by golden lions. *With prize night still two days off,* we have been bombarded with the beasts. Steven Spielberg, breasting a sea of *Jurassic Park* mania, came to accept a career achievement Lion. On the same night Spielberg himself tried to present a special Lion to veteran director and Venice festival chief Gillo Pontecorvo. "No, no, you keep it!" said Signor P, clearly *suffering* from lion confusion himself. And to top things off, the TV screens in the festival theatre lobby have been re-pumping endless footage of past Venice winners winning past Golden Lions.

Lionitis is a notifiable cultural disease, so we critics have been comparing notes *as to the likeliest victim on* prize night. Robert Altman may draw the short paw for *Short Cuts*, his majestic three-hour fresco of Los Angeles life (reported on last week). Then again Maria Luisa Bemberg's *Don't Talk About It*, Rolf De Heer's *Bad Boy Bubby* and Krzystof Kieslowski's *Blue* have all been lionised by different segments of the festival audience.

The Argentinian film comes from the lady who gave us *Miss Mary* and *I, The Worst Of All*: Bunuel-suave tales of sex, gnomic violence and religious dissidence. Drawn from a Magic Realist novel by Iulio Llinas, *Don't Talk About It* tells of dwarf girl Carlotta, her normal-height widowed mother who hopes to marry her off, and Marcello Mastroianni as a lovestruck charmer who keeps travelling round the world and back again before finally popping the question to *the girl*.

This short/tall, May/December, wanderer/homebody romance is just one of the film's dotty charms. Bemberg draws a portrait of the little town as rich as a Marques story. Gossip is the main local industry, closely followed by social hypocrisy. When the Mayor dies in the middle of a wedding – *that* wedding – everyone pretends not to notice; and he is shoved into a bathful of ice-cubes afterwards so as not to spoil the party. Like an impossible *wine the film goes its sweet*, dry, intoxicating way towards an ending *no less startling and funny for being* utterly inevitable.

Bad Boy Bubby from Australia takes Magic Realism and turns it into – let us register a new genre – Agit-Surrealism. Dutch-born writer-director Rolf De Heer has a nasty mind and wants to share it with us. His hero (Nicholas Hope) is an overgrown baby held hostage into his 20s by a *large and lustful Mum. She keeps him* at home (grey walls, cockroaches) *right up to the day that* Dad (dog collar, dirty beard) returns, encouraging the boy to kill them both with Clingwrap. Then it is out into the world with Hope, mixing his perceptual innocence and untutored morals with every dodgy group from a Salvation Army platoon via a grunge rock band to a cerebral palsy ward.



Dotty charms: Lustina Brando and Marcello Mastroianni in Don't Talk About It

Good taste? De Heer has never heard of it. Sex, murder, foul language and blasphemy are on tap, plus enough political incorrectness to set back the cause of group dogma by a century. For its first half-hour *Bad Boy Bubby seems like one of those* essays in onanistic outrage we expect from young directors. But it gathers its awful logic around it like a mud-stained robe and by the close is dispensing a marvellous cauterising wit and wisdom.

Blue is the latest film in the colour-fashion of the year. Britain's Derek Jarman has lent the title to Poland's *Krszystof Kieslowski who goes to* Paris to tell the tale of a young woman (Juliette Binoche) battling bereavement pains. Husband and daughter lost in car crash; ghosts from past and ghouls from future humming towards her; and a film that becomes an unforgettable series of still lives stirred to sinister movement, as "everyday" objects and events turn into a danse macabre of the soul.

The film opens soon in Britain. So do *several of the* myriad American movies that maestro Pontecorvo *waved into Venice, using a baton that* seems to have magical power over all *of Hollywood. The VIPs glittered* as they came: Harrison Ford, Tina Turner, Robert De Niro, Madonna, Woody Allen, Daniel Day-Lewis, Martin Scorsese, Spielberg ... This is a struggling, underfunded film festival on the Adriatic? Gaze on your thrice-larger budget, Cannes, and despair.

Many of the directors attended Venice's much-puffed Artist's Rights *conference. This 48-hour thinkathon* began with public speeches under Tiepolo ceilings, went private for a day and a half's commission work, then unveiled its resolutions in the Lido's Hotel De Bains (setting for Visconti's *Death In Venice*). One hundred and twenty world film-makers gathered, putting the event on a par with an Oscars ceremony. Result: the founding of a High Court For The Freedom Of Expression In Cinema And The Audio-Visual Arts (where but in Italy can one spirit up a high court at will?), several proposed GATT refor*mations and a mile-long paperchase of* decrees and sub-decrees.

Being sceptical about auteurs and auteurs' rights in a collaborative high-cost art like cinema, I look forward to dissecting this symposium later. Not here, nor now. Venice is in the madness of wind-up phase. We must mention the films that boasted, if not quality, large quantities of vitality *or eccentricity*. Jean-Luc Godard's *Helas Pour Moi*: hurling poetry, philosophy and jagged mise-en-scene at star Gerard Depardieu as we and he wander round scenic Lake Geneva. Clara Law's *You Seng* from Hong Kong: its 6th century battle scenes like painted scrolls come to life. Robert De Niro's directing debut *A Bronx Tale*: *pouring doo-wop* music over a catchy story of Italian-American boyhood. Dominic Sena's *Kalifornia*: a road-movie with murders, in which bad couple Brad Pitt and Juliette Lewis get their kicks on Route 66. And Abel Ferrara's *Snake Eyes*: Harvey Keitel and Madonna rising (mostly) above a steamy-specious script about movie-making.

There were also booby prize contenders. A *Plastic Lion ex aequo* should go to Joseph Kay and John Yorick's *The Hollow Men*, in which a terminal Euro-beach plays host to murky photography and ear-bashing alterations of Verdi music with existential dialogue, and to the portentous agonies of Joao Botelho's *Here On Earth*, 90 minutes of pained attitudinising in which Munch's "The Scream" seems to have visited Portugal *and bitten the whole country*.

Disappointing also were two films from well-loved veterans, Ermanno Olmi's *The Secret Of The Old Wood* and Eric Rohmer's *The Tree, The Mayor And The Cultural Centre*. Olmi's film is a green fable about an endangered forest, full of talking animals and Disneyish whimsy. Rohmer's film is a Green fable about local politics and Euro-environmentalism: as thrilling as a Party Political Broadcast by Jonathan Porritt in French.

The Lion looks on all these candidates and sharpens its claws. But Venice is not just about "Who wins?" Every year it conjures variety and inquiry, sideshows and seminars, from a budget that was never large and is getting smaller. This year we had retrospectives (a look back at 1943 in world cinema); discussion events ("Music and Cinema" with Ennio Morricone, "Opera and Cinema" with Riccardo Muti); documentaries and video programmes (including Kevin Brownlow and *David Gill's* brilliant TV series on D.W. Griffith); *and the Artists' Rights think-in.* Sometimes at Venice the critic feels as if he has gone back to school again. But in a festival as multi-faceted as this, and as unapologetic about shaking hands with Hollywood, there are as many school treats as school trials.

N A

Modigliani rediscovered: "The Amazon" in black crayon from 1909

Modigliani transformed

AN EXHIBITION may be important for many reasons, consolidating a reputation beyond question perhaps, or confirming doubts and reservations. Venice has already enjoyed two such this year: on the one hand the Biennale's magnificent *omaggio* to Francis Bacon, still on at the Museo Correr, *on the other, the* definitive Marcel Duchamp retro*spective that was the previous* show sponsored by Fiat at the Palazzo Grassi. But actually to transform our understanding of an artist and his work is something else.

The exhibition is drawn from the private collection of Paul Alexandre, a friend of Modigliani's. The scope and richness of it all are the surprise and the delight. Alexandre died in 1968 at 87. As a young doctor with a practice in Montmartre, he came to know many artists, whom he befriended and supported. He met Modigliani, *some three years his junior* and only lately come to Paris, *in 1907 and was his first, for* some years his only patron. Their close friendship continued until 1914 and Alexandre's marching off to war, after which they never saw each other again, Modigliani dying of Spanish influenza in notoriously tragic circumstances early in 1920.

In the course of their association, Alexandre amassed an extraordinary number of drawings, some 430 in all, amounting to nearly half those extant, along with a great quantity of intimate documentary material. *It is not that* the existence of his collection was unsuspected, *for he would* lend particular items from time to time to exhibitions, and he *released a few* to other collections. But Alexandre had always meant to publish it himself, with his own account of Modigliani as he knew him, and so kept it all very close. Now at last his son, Noel Alexandre, has kept that tacit promise.

The period is from 1906 to 1914 which is covered exhaustively but exclusively by means of the artist's working drawings, from the merest hint of an image to the most fully realised of *studies*. The "working" epithet is the key, for the address is practical, unselfconscious and immediate throughout. There is nothing here of the precious or the refined indulged for its own sake.

Modigliani was a remarkable natural draughtsman, blessed with the swiftest and most delicate of hands, but it is the use to which he put his *gift* that is the thing. Time and again, presented *en serie*, we find the particular image that engrossed him at a given moment developed and refined through any number of subtle variations until it becomes fixed and certain – and all achieved with an economy and attack that together take the breath away. But there is *much more to this work*, both singly and collectively, than *the mere demonstration* of technical mastery.

His enduring *preoccupation* was with the figure, most especially the female figure, but it was its resolution, whether as painting or sculpture, that was always for him the larger end. And it is in the clarification of those transitions in the development of the work, that before seemed quite arbitrary, that the true importance of this new material lies.

A new-found interest in the primitive and the archaic, in the sculpture of Africa, the Pacific and Minoan Greece alike, was the currency of Paris in the mid-1900s. With such contemporaries as Bran*cusi and Picasso close* at hand, Modigliani was hardly alone in *responding to it* in his work, but no longer may we read his response as *sudden, arbitrary* and merely fashionable.

Here in the *earlier dancers*, the tumblers and acrobats we find at once the immediacy of the life-model in the studio, and yet the foreshadowing of the classical, schematic simplicity of the caryatids and statuary to come. And even in those endlessly repeated formal studies for carved heads and kneeling, bending, swaying figures, those caryatids and decorative capitals, again we find, if only by the subtlest of inflexions in face or pose, all the active energy of the model as she lives and breathes.

So it is again later on, as what once seemed the abandonment *of sculpture* is shown to be an easier and natural return to *painting. The kneeling* caryatids become kneeling and then reclining figures, *and* the model is there again in the studio as the sharp, sculptural contour softens into palpable flesh. How sculptural those great reclining nudes of Modigliani's last years now appear – would that a few of them were in the show: and how *humane* the carvings, for all their totemic formality.

The Unknown Modigliani, Drawings from the collection of Paul Alexandre, is at Palazzo Grassi, until January 4. Then it goes on a world tour until 1996, sponsored by Fiat, carrier Alitalia.

W. P.

TELEVISION

SATURDAY

BBC1

BBC2

LWT

CHANNEL4

REGIONS

BBC1

BBC2

LWT

CHANNEL4

REGIONS

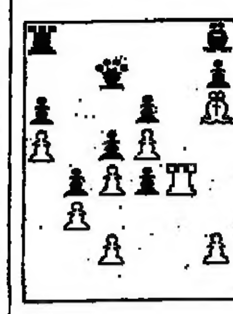
RADIO

SATURDAY

SUNDAY

CHESS

AFTER almost four hours of manoeuvre, all the action and most of the mistakes were crammed into the final few minutes of Tuesday's opening Kasparov v Short game. They suddenly had to switch from leisurely judgment mode into frantic snap decisions against the clock; no wonder Bankers Trust hire GMs as foreign exchange dealers.



Kasparov (White) has a decisive attack, and can win in style by 35 Qg5 Bg7 36 Rh4 Qd7 37 Bxg7 Kxg7 38 Qh6+ Kf6 39 Rf4+ Ke5 40 Qg5+ f5 41 f3 threatening Re4 mate.

But they both had two minutes for five moves, and instead he played 35 Qxh3 Bg7 36 Bxg7?? 36 Re7! Qc8 (Qxa5 37 Rxf7! Kxe7 38 Qe6+ forces mate) 37 Qxc8+ Rxc8 38 Bxg7 Kxg7 39 Rd7 with 40 Rxd6 and White's passed pawn ensures a win.

Kxg7 Kasparov's face reddened and he shook his head in disbelief. By now he had spotted Short's defensive plan. 37 Rh4 Rg8! Preparing to run the BK to the other wing.

38 Rh7+ "Draw?" asked Kasparov.

Short made no reply. A pawn up, he sensed the Russian's giveaway body language two moves earlier.

Kf8 39 Qg4? Re8 and Short lost on time.

Only once previously in 107 years of world championships has a player overstepped in the better position. To make it worse, Kasparov, with 10 seconds left, planned 40 Qe6+? (better 40 Qf4, though Black is a pawn up with winning chances) fxe6 41 Rxc7 exd5 42 cxd5 Rf8 43 Rc6 Kd7 or Rf8 when Black wins the rook ending.

Was it a moral victory for Short? I feel the better poker player won.

The second game, with Short white, was drawn after 51 moves.

Leonard Barden

BRIDGE

An intriguing hand from rubber bridge:

```
              N
           ♠ Q J 7
           ♥
           ♦ A Q 10 8 2
           ♣ A Q 10 6 3
      W                 E
♠ 10 9 4 3         ♠ 8 6 2
♥ 9 7 6 2          ♥ 4 3
♦ 7 6 5            ♦ K J 9 3
♣ 9 4              ♣ K 8 7 2
              S
           ♠ A K 5
           ♥ A K Q J 10 8 5
           ♦ 4
           ♣ J 5
```

At game all North dealt and bid one diamond. South said two hearts, North rebid three clubs and South four no trumps. North replied five hearts, South said seven hearts, East doubled and all passed.

East's demand for a diamond lead fell on deaf ears – West led the spade three. Declarer won with his ace, and drew four rounds of trumps. Placing East with both minor kings, he cashed dummy's club ace to set up a Vienna Coup, continued with queen and king of spades, and ran the rest of the hearts. The last heart caught East in an automatic squeeze – the slam was made.

East said to West, "If you had led a diamond, the slam goes down." Was he right? No. A diamond lead destroys the automatic squeeze, but South gets home by a ruffing squeeze. Dummy's ace wins the diamond lead, South ruffs a diamond, draws four rounds of trumps, discarding clubs from dummy, cashes ace, king of spades, and plays another round of trumps.

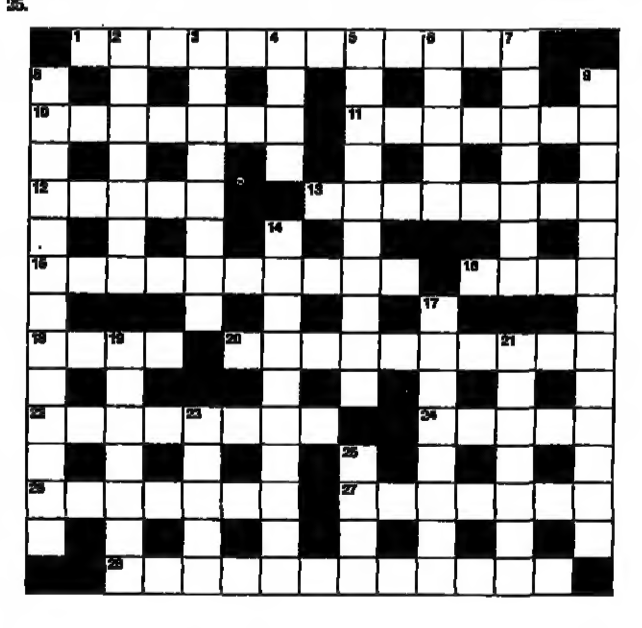
In the four-card ending dummy has spade queen, queen, 10 of diamonds, and ace of clubs. East has king, knave of diamonds, and king, eight of clubs. South has spade five, heart five, and knave, five of clubs. South crosses to spade queen. East is trapped. If he throws a diamond, dummy's 10 is led, the king covers, South ruffs and crosses to club ace, to enjoy the queen; if East throws a club, dummy's ace is cashed, and declarer ruffs his way back to hand to score the club knave.

E P C Cotter

CROSSWORD

No. 8,251 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday September 22, marked Crossword 8,251 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday September 25.



Name

Address

ACROSS

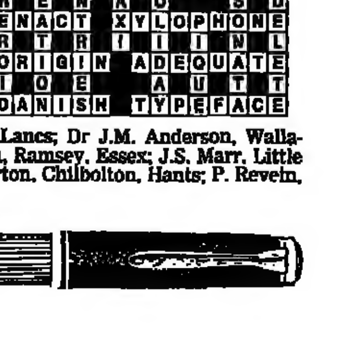
1 Ace of clubs? (4,8)
10 Tear in fashion in new jersey, we hear (7)
11 Leader of Sheffield United went forth (7)
12 Go down with grippe, say (5)
13 Motorway surface, to the east, can be a headache (8)
15 Met in inept muddle, unashamed (10)
16 David Copperfield's easy pace? (4)
18 Cut free in some places (4)
20 Perhaps switches musical items (10)
22 Vessel for cooling tar, in the air (8)
24 Fit, well and simply marvellous, initially (5)
26 Purge rests in church (7)
27 Pouch displayed by Mac and hidden by mac? (7)
28 Lady Godiva, for example, from 9E Queer St? (12)

DOWN

2 Surpass in public work (7)
3 Charming fellow making an impression (8)
4 Script agency (4)
5 Preacher's purpose on a line? (10)
6 Dodger lied about Oliver, finally (5)
7 More strident one in senior position (7)
8 Billposter's site? There is no getting past it! (8-5)
9 At 8 perhaps, this display goes up in a puff (13)
14 Devices to lay jewels under layers (10)
17 Relaxation that provides one with heartsease? (8)
19 Natural error, to cover with wax (7)
21 Discomfiture in Charing Cross? (7)
23 Language to prohibit second person singular? (5)
25 Employer provides some excuse, regretfully (4)

Solution 8,250

Solution 8,240



WINNERS 8,240: R. May, Burnley, Lancs; Dr J.M. Anderson, Wallacestone, Stirlingshire; A.J. Mallinson, Ramsey, Essex; J.S. Marr, Little Houghton, Northampton; Mrs R. Morton, Chilbolton, Hants; P. Revein, Brussels, Belgium.

Despatches

The navy lark

CAPTAIN Luis Aranda is the proud commander of the fleet of the fourth base of the Bolivian navy. But the only ships at his command are those he makes at home from matchsticks, along with a motley flotilla of five small metal ferry and patrol boats that are gently rusting in the waters of Lake Titicaca. Aranda's 150-strong division spends most of its time raising chickens and cultivating prize tomatoes. The reason: Bolivia may have a navy, but it has no sea.

Bolivia has been landlocked since losing the War of the Pacific against Chile in 1879. From the moment one arrives in the Andean city of La Paz it is evident that neither the rarified air nor the passage of years have served to quell passions; indeed, the issue is a national obsession.

A plaque at the airport asserts that Bolivia is a maritime nation. Bright-coloured stickers in taxicab windows scream "The Sea Belongs to Us – To Recapture it is Our Duty." Newspaper editorials rail almost daily at Chile's mulishness in refusing to relinquish the land that blocks Bolivia from the Pacific coast.

El Mar Boliviano is a primary school set-textbook crammed with pictures of crashing waves described as "our sea." Statues in otherwise peaceful town centres depict demonic Bolivians bayoneting hapless Chileans above the inscription: "What once was ours will again be."

***Christina Lamb** on the aspirations of Bolivia's landlocked sailors*

"We're the only landlocked nation in the world", is a frequent complaint from locals, blaming Bolivia's glaring poverty on its lack of coastline. They will not listen if one points out other examples of sea-less nations such as Switzerland, Austria, Paraguay.

Bolivia is certainly one of the world's most unfortunate or misguided nations. Once the second largest country in Latin America, it has lost territory to almost all its neighbours in wars. But it is the loss of the sea that really rankles. At every international conference Bolivia raises the issue, demanding its land back, and Chile always says No. On March 23 every year a Day of the Sea is held to mourn the loss, and 30 years ago the navy was re-established to show that Bolivia would never yield.

A smart 10-storey building was recently constructed to house the high command of the 8,000-strong navy and its two-ship fleet. On the top floor sits the commander-in-chief himself, Admiral Miguel Alvarez. Surrounded by pictures of ships on the high seas, he booms: "The sea is in the soul, spirit and heart of every Bolivian. Everyone."

Admiral Alvarez believes that with the end of the cold war it is time to solve territorial disputes such as that between Bolivia and Chile. "We have great hopes from the new world order and will raise this issue at every forum until we get a satisfactory resolution reintegrating the land which, by historic, geographic and legal right, belongs to this country."

He thinks Britain should take a lead in this process, claiming that British merchants in Chile, seeing the value of nitrates in Bolivia, inspired and funded the Chilean invasion of the Bolivian port of Antofagasta. Apparently, during Queen Victoria's reign, maps of the region were printed in Britain omitting Bolivia altogether – clear proof of conspiracy.

In the meantime, as he waits for Britain to get its act together, the admiral sees nothing incongruous about being commander-in-chief of a navy which has no sea. He admits a certain envy for neighbouring maritime nations such as Argentina, Peru and Brazil, on whose charity he relies to allow his forces to practise. If they are lucky, Bolivian naval cadets go to sea once a year.

Out at the fourth naval base of Tiquina on Lake Titicaca, Capt Aranda says his men are ready to take to the high seas at any time.

While they are waiting for the great day, the Bolivian navy is giving a useful lesson to the rest of the world in how to utilise an idle military. Capt Aranda's men patrol the lake looking for Sendero Luminoso guerrillas in hiding from Peru, and his colleagues in the Amazonian naval bases chase narco-traffickers.

But most of the time the men of the fourth base are engaged in raising chickens, growing vegetables and planting trees to replace those removed by locals. "Perhaps you might think it a little strange to see a navy growing vegetables", says the captain as he shows off a splendid selection of lettuces and tomatoes, "but armed forces should adapt to the necessities of the situation. It's our duty to contribute to the development as well as the defence of the country."

Private View / **Christian Tyler**

Work for all, the Prof proclaims

Christopher Freeman gives union leaders and governments the benefit of his research on the effects of technology on employment – spread the reduction in volume

YOU WOULD not have guessed it from the dreary intonation of prepared speeches at the TUC Congress in Brighton this week, but trade union leaders are finally facing what their former colleague Clive Jenkins called "the collapse of work".

The TUC's new general secretary, John Monks, addressed the problem on Wednesday, as did the European Community's social affairs commissioner, Padraig Flynn, on Monday.

What is the problem? Demand for labour in western Europe has fallen sharply while the sweatshops of Asia are working overtime. Meanwhile the micro-electronic revolution is rapidly chipping away at the way in which work is organised and jobs are distributed. In Britain that has been accompanied by wage cuts, de-recognition of unions, erosion of worker protection and widespread subcontracting of labour – sometimes in the crudest fashion.

It must appear to union leaders as if jobs – what they call "real" jobs – are simply drying up.

To discover whether this is true I consulted Professor Christopher Freeman, who is 72 today and who has spent half his lifetime studying the relationship of technology to employment. Earlier this year his research was recognised by an international jury of social scientists in Paris who made him the first winner of the $100,000 (£64,935) *Prix International du Futuroscope*. He already has the Bernal Prize and the Schumpeter Prize.

Freeman, co-founder and former director of the Science Policy Research Unit at Sussex University, lives in Lewes, a few miles from the TUC conference hall. We met over lunch in a Thai restaurant to the accompaniment of a plaintive Chinese pop song.

I asked him whether we had reached some kind of watershed. Freeman agreed that in some respects the situation was completely new. "Nevertheless", he added, "I would think – and hope – that economic theory can't be completely wrong in saying that if you have enough aggregate demand in the economy that it will, with some lags and rigidities, be translated at some point into useful employment, even if it's a different kind of employment.

"Technical change has led to a tremendous reduction in the number of working hours needed to sustain a reasonable living standard. The problem for economic policy is to spread that reduction in the volume of labour reasonably widely over the whole active population and not to concentrate it on a few regions, a few people."

Freeman calls this "the active society". (Commissioner Flynn used the same phrase in his speech to the unions.) "But the hours of work need to be very, very flexible. And I think that's possible now. One of the big advances information technology has brought us is that you can vary your hours without great trouble."

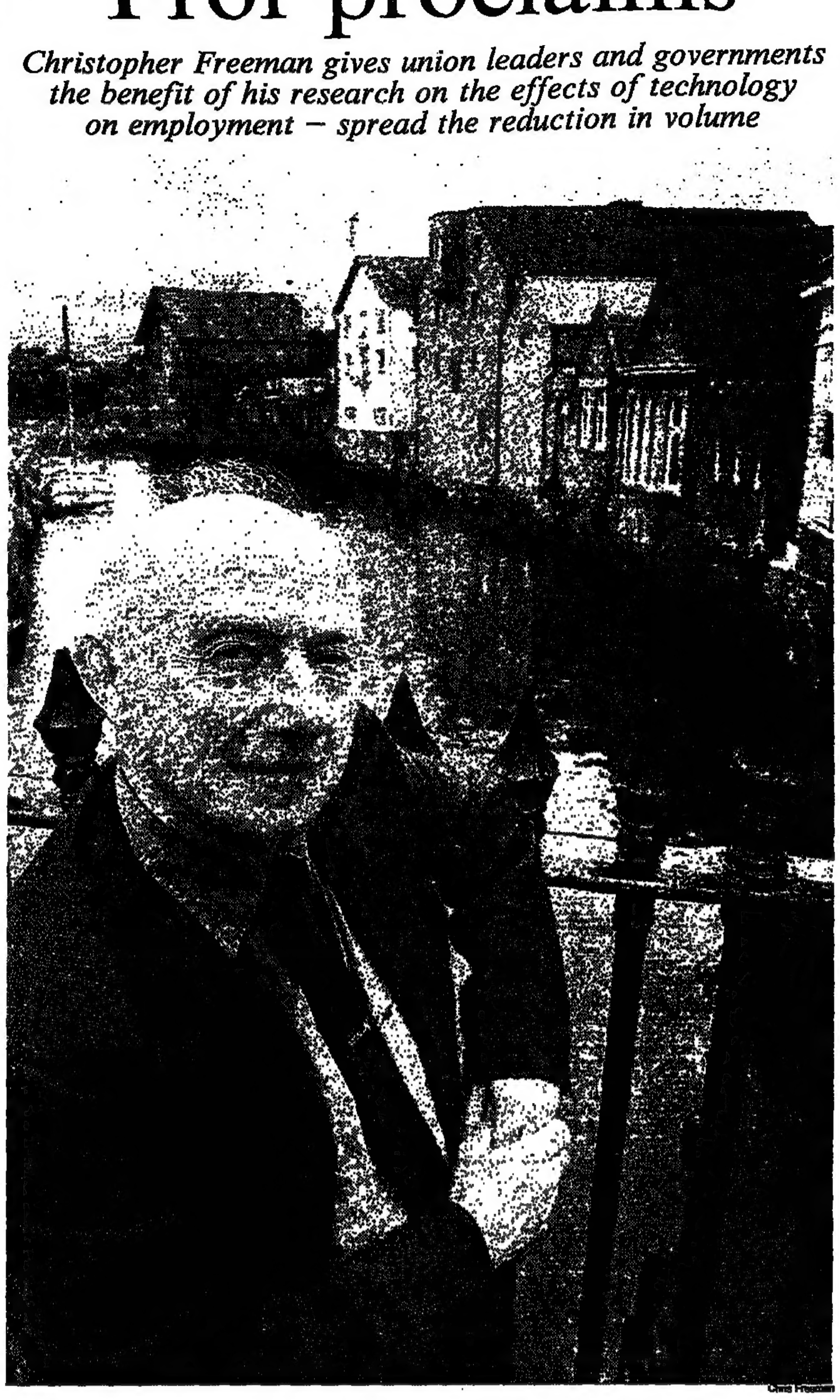
Human's psychological need for work had been demonstrated by studies of prisoners of war. Without it, it has been found, they went to pieces. "So I think what you need now is a society where there is work available for everyone who wants to do it."

Technology might disrupt old patterns of employment: for some that spells insecurity, others liberty. But it could free people for labour-intensive occupations – looking after other people, or creative work. Freeman says: "Those occupations should increase as the boring, less skilled jobs get eliminated. And craft occupations should increase.

"In that sense, it could – I'm not saying it will – lead in some sense to a better society. Could. It probably won't, but..." The professor broke off with an apologetic laugh.

I suggested companies would resist job-sharing and similar devices for spreading work.

"There are some employers who would like to behave in the way you are describing, and who are behaving in that way. There will be tendencies to go back – you can see it in the debate on the social chapter



Chris Freeman

[of Maastricht] – to low-wage types of occupation, even sweatshops.

"Some will try and get through as they have done in each recession by reducing labour forces and wages if possible... I think there are more attempts to reduce wages now than before the second world war.

"The evidence for a pessimistic scenario is there in the fact that the UK government has taken this, I think, very retrograde stance on the social charter. But the reason I think the scenario might be wrong is that there's also a lot of evidence that you get very low morale in those situations, and that good teamwork and reasonably good conditions in the end yield better productivity and certainly better implementation of new technology."

I asked whether Europe had any choice but to compete with Asia – or east Europe – on the same terms of low labour costs and high technology input.

"There is this strong school of thought which says wage flexibility is the main problem," he replied. "But there are two kinds of flexibility. The one most economists talk about is cost-price flexibility, meaning wage cuts and a reduction in social benefits – the big topic in western Europe. The other kind, which I think in the end is more efficient, is flexibility in work organisation, in technology, where you really learn to use new techniques and teamwork efficiently. It goes back to Robert Owen, this debate."

Is full employment still a realistic goal for a government?

"I think it is, but as I said earlier a better name for it is an active society, because of the importance of women's employment, part-time employment, old people's employment..." He laughed at the self-reference. "It could in some ways be better than the old one in that some parents – I'm certainly one of them – would certainly have liked as males to have more time to look after children at various times in our lives. We couldn't do that with the old structure. I think we should be able to do it."

Freeman is a mild man who wears his honours lightly. He likes watching sport and birds. He is a suppressed "twitcher", he says, and spent most of his Easter weekend chasing a hoopoe. He is also, privately, an idealist capable of surprising vehemence. He described himself, startlingly, as a "neo-communist".

We had been discussing whether economics could be neutral, or "value-free". Freeman said that nobody, not even economists, could live without goals, beliefs and ethics.

The world's complexities could be analysed in two ways: with abstract techniques like the mathematics of chaos theory, or by giving oneself time to think, to apply ethics and social values to the phenomena.

"Some people call that technology assessment, or cost-benefit analysis. I certainly think there's a function for philosophers, if you like, people who are concerned with the quality of life in general, including environmental issues and the question of speed of work."

He quoted T S Eliot: "Where is the life we have lost in living? Where is the wisdom we have lost in knowledge? Where is the knowledge we have lost in information?"

When economists disagree, I asked, is that due to ethical prejudices, or because they can't agree on the numbers?

"It's more likely to be their political prejudices than their ethics. Very often they'll want the same thing but they'll disagree about the path to achieve it. Ideology is still very strong in the social sciences because it's so hard to do what the physical scientists do and replicate experiments."

Do you consider yourself a social scientist?

"Well, I've always hesitated to use the term 'scientist' in relation to economics or politics. In English at least it sounds a bit pretentious because the possibilities for coming to conclusions from experimental evidence are less."

What are your ideological prejudices?

"Probably other people can discern it better than I can. I'm certainly aware of a few, yes."

How would you describe them?

"I'd say I was a neo-liberal with a small 'l' and a neo-communist with a small 'c'."

What's a neo-communist?

"It means that I think inequalities in the world, between the third world and the rich world are obscene and should be reduced. They are also obscene within the rich countries – and I think they are getting worse almost everywhere."

Doesn't that make you a dangerous Leftie?

"No, no, a lot of Conservative economists are quite in favour of income redistribution."

Are the inequalities also inefficient in economic terms?

"I think they are, yes. Japanese companies pay their managers about one-tenth what American managers get in the same industry and I don't think they suffer. What the American big companies pay their executives and directors is way out of line... economically absurd as well as morally obscene."

Also in Britain?

"I think so, yes."

Freeman's two sons work in computer software, a promising field 15 years ago but whose future, their father says, looks less rosy now. Can an economist advise his children what to do?

"I doubt it very much," he laughed. "I don't think anyone's very good at long-term forecasting. With commonsense you can see some trends but if I was advising my youngest daughter, I probably wouldn't say."

He has two boys and two girls from his first wife, Peggitty, who died 20 years ago and a 17-year-old daughter from his second wife, Margaret.

I asked him what he would do with the $100,000 French prize.

Freeman said some he would give some to his children and to his brother who suffers from Alzheimer's disease. "Especially I'll try and help my youngest daughter, see her right... to help her get whatever's going in the way of employment."

The laugh this time could so easily have been ironic. It wasn't.

A nice place to live

Michael Thompson-Noel

I READ so many novels that in a palpable sense it is fiction that has made me what I am: tolerant, generous, civilised, kind, a humanist and a liberal. A flinty sort of liberal, though, nothing mimsy mamsy: for example, anti-authoritarian but also in favour of capital punishment, which is not, I believe, a common or garden coupling.

Some novels are better than others, but that is true of everything. This is often, as it happens, the extent of my literary criticism, for I am not a natural critic.

Yet I enjoy a book of criticism, especially when it is as spiky as *After the War: The Novel and England Since 1945*, by D.J. Taylor, which will be published on Monday. We are not talking blockbuster. But in the week before the Booker Prize shortlist is announced, *After the War* deserves to sell a few copies, if only to see what the author makes of his assertion that the modern English novel – never call it *British* – is "an art-form which nearly everybody admits is in a wretched state, and in which large numbers of intelligent people have lost interest".

His mission is to set the post-war English novel in its social context. Apparently this is known as English literary sociology, which is not as dire as at first it sounds.

To show you what the author means, let us peek into his best chapter, entitled *The Literary Consequences of Mrs Thatcher*. Taylor is not blaming Margaret Hilda for the death of the English novel. Instead, he is asking why the 1980s – a decade of schism and drama – marked a further decline in the conventionally framed political novel.

One of the side-effects of Thatcher's long reign, says Taylor, was the pressure placed on writers to take up positions on either side of the barricade, however embarrassing or pointless the result. Yet the death of British democracy – Maurice Edelman called Britain "a kind of

HAWKS & HANDSAWS

Venetian oligarchy" – and the impenetrable aura of secrecy increasingly in evidence during the Thatcher years had given politicians generally a phantasmagoric quality, with Thatcher herself the "chief monster in an elaborate demonology".

This was not a good thing for the political novel. Says Taylor: "Taking its lead from political satire of the *Yes, Minister* variety, the straightforward political novel has degenerated into a kind of burlesque, dominated by a single gargantuan monster. The fictive Mrs Thatcher... is no more than a caricature. Even a really subtle and imaginative spoof like Mark Lawson's *Bloody Margaret* (1991)... can only invest her with a... blurred remoteness."

Nevertheless, the late 1980s, he says, were remarkable for the unanimity among writers, and for the existence of a literary opposition more vocal and coherent than at any time since the 1930s. And if a single factor distinguished the literary response to Margaret Thatcher it was "incomprehension, or rather a refusal to comprehend. The fact that millions of people had repeatedly voted for her seemed of little moment to a handful of left-leaning liberals whose favourite riposte was to regret Mrs Thatcher's 'vulgarity'".

There was the Thatcherite fictional hero, of course – male, middle-class, suburbanite, self-sufficient, go-getting, entrepreneurial: a distinctive animal with recognisable social and psychological characteristics.

But what formed the basis for a great many doubtful state-of-the-nation novels in the 1980s, Taylor maintains, was a handful of catchphrases. "The novelists of the 1980s, you feel, did their 'research' in the cuttings libraries of national newspapers: their 'observation' was of headlines and government statistics, their conclusions could be found in leader-page articles in *The Guardian*."

In his introduction, Taylor says that writers are told repeatedly that truly intelligent people today become stockbrokers or video producers, and regard novel-writing as an antiquated hobby.

He is an excellent critic. But I'm not sure he is right. Although I have read only a fraction of the novels he has read, I suspect that the late-20th century novel, in Britain and elsewhere, is a lot less raggle-taggled than people like him believe.

I *like* modern fiction. It is a nice place to live. In the age of John Major it is the *only* place to live.

■ *After The War*, Chatto & Windus, £17.99.

Missing out on my own mugging

***Michael Holman** feels uneasy after an encounter with would-be thieves*

"YOU CAN stop shaking now."

He looked about 12 years of age with a bright, alert face. A few minutes earlier he – or at least his teenage companions – had been about to mug me.

He briefly took hold of my right arm, as if to steady me, a tender, incongruous gesture of concern. I looked down at him, dressed in loose-fitting baseball jacket, jeans and trainers.

I did not want to tell him the truth about my condition. I probably looked bemused. He gave a little tug at my sleeve.

"You can stop shaking, honest. We aren't gonna hurt you."

"I can't – that's the problem, that's what the illness does to me."

He looked perplexed. This was not how he wanted our encounter to end. The rest of the gang were moving on. He frowned, then his face cleared: "Don't worry mate, you're safe now." And they went on their way.

I had first noticed the gang roaming the passages at Liverpool Street Underground station when I was waiting for a Tube at about 11pm. I took care to select a different compartment.

Despite my caution the gang got out at my stop. I had walked part of the way home before I spotted the youths ahead of me. There is a taxi rank at the station so I could have taken a cab. But my journey is only 200 yards along a busy road, a left turn and I'm 30 paces from my front door.

They were waiting by the public telephone box. I was half expecting it, but what happened still startled me. It seemed that suddenly I was surrounded.

As I write, what happened next comes back in mental snapshots. The gang of about six, encircling me; the 12-year-old curious; one or two of the gang hostile and one in particular exuding menace.

The next snapshot: a pale, intense face, about 17 years old with uneven small teeth, small bat-ears, close-cropped head which he shook vigorously from side to side, up and down, uttering a string of obscenities, unleashing an intense, intimidating rage.

The young man radiated instability. I felt that he knew he could frighten, terrify, use his rage like a tool – as effective as a knife.

As I wilted under the barrage of verbal abuse I feared that he did not know how dangerous he could be. Then I thought: perhaps he knows himself better than I think he does. He's playing Russian roulette with his personality, and it is pointed at me.

Thankfully that night he could switch off, and he did.

"Why're you shaking?"

The question came not from him but from one of the gang, as I stood transfixed and trembling, my briefcase under my right arm, my left hand gripping the case to steady my tremor.

The question may have been a taunt, but I think not.

"I've got Parkinson's disease. It makes me shake."

The pale face, inches from mine, turned off the torrent of invective and threat like a tap. I do not think he had noticed my shakes because he was concentrating on my face,

He's playing Russian roulette with his personality, and it is pointed at me

with a terrible intensity.

And now not a snapshot, but a soundbite. "What's that!" It was not a question. It was an expression of astonishment, with an undertone of something else. As my mind replays and rehears the episode, time slows. Until that point, the incident unreels before me, like a video cassette on fast forward.

But that particular second seems to stretch. Each fraction of time contains a syllable which I analyse, and the analysis tells me that my relationship with my verbal assailant was going to change.

"What's that! My grandad had that!"

I cannot fully account for the few seconds that followed. Until then I was vividly aware of what was happening, what was said. But these moments were suffused by relief to the exclusion of all else.

I do remember that the tone of the sound around me had changed. Hostility had been replaced by murmurs, the mumbles and mutters that serve as words when taken aback by somebody's bad news.

My verbal assailant turned into awkward, uncomfortable protector. "Yeah, my grandad had it. Wouldn't have done you if we'd known, mate. We don't do sick people'n that, old people 'n such."

The 12-year-old, like a mascot among them, piped up: "Yeah mate, we don't do that, not sick people."

An awkward moment for the gang and me, the let-off victim, followed. We all wanted to get about our business, but their route was also my route.

It was almost comic. I was a nuisance, but they were too polite to say so. We had been thrown together, and now wanted to make our farewells – like guests at the end of a dinner party, wanting to disengage from someone who wants to prolong the *bonhomie*.

Honour was at stake, theirs and mine. To turn back would have been to impugn their word that I was safe, and would have injured my pride. At last it was resolved. The gang set off ahead of me, but looked back after a few paces, then slowed, obliging me to turn tail or catch up.

And so I started the next block home, the muggers became escorts as far as my street and the aggressor turned protector, now almost solicitous, was by my side. By then I felt I had to offer him reassurance: "I manage alright, really..."

He nodded. We walked on. "My mum's got problems. Needs kidney dialysis, uses a machine, every week."

We got to the corner of my street, and it was at that point that the 12-year-old offered his own reassurance: "You can stop shaking now."

I can not explain what I did next, because it was not necessary. Even as I did, I wondered if I was being tactless, or crass, or cowardly. I had a £20 pound note in my pocket. "Can I pay your fare home?"

They shook their heads. "We don't want your money, mate." And they continued their predatory journey east.

I did not tell the police. I have been mugged before when credit cards and passport and briefcase were taken at knifepoint. I told the police that time. This time I lost nothing. The incident and my subsequent silence still makes me feel uneasy, but I felt bound by a code.